

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES OR TO ANY U.S. PERSON.**

**IMPORTANT:** You must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "**Prospectus**") and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or making any other use of the Prospectus, you agree to be bound by the following terms and conditions and each of the restrictions set out in this Prospectus, including any modifications to them from time to time, each time you receive any information from the Issuer, Ziraat Katılım or the Joint Lead Managers (each as defined below) as a result of such access. You acknowledge that this electronic transmission and the delivery of the Prospectus is intended only for you and you agree you will not forward, reproduce or publish this electronic transmission or the Prospectus to any other person.

**NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION OR AN OFFER TO BUY IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS PROSPECTUS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE U.S. THE SECURITIES DESCRIBED IN THIS PROSPECTUS MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT ("REGULATIONS")), OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAW.**

**THE FOLLOWING ELECTRONIC TRANSMISSION MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THIS DOCUMENT CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORISED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.**

The securities described in the Prospectus will not constitute "alternative finance investment bonds" within the meaning of Article 77A of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended), and will represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000 (the "**FSMA**") which has not been authorised, recognised or otherwise approved by the United Kingdom Financial Conduct Authority. The Prospectus is not being distributed to, and must not be passed on to, the general public in the United Kingdom.

The distribution in the United Kingdom of this Prospectus and any other marketing materials relating to the securities described in the Prospectus is being addressed to, or directed at, (A) if the distribution of the securities is being effected by a person who is not an authorised person under the FSMA, only the following persons: (a) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (b) persons falling within any of the categories of persons described in Article 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order, and (B) if the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (high net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs Order (each a "**relevant person**"). Persons of any other description

in the United Kingdom may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to any securities.

**Confirmation of your representation:** By accessing, reading or making any other use of the Prospectus, you confirm to Ziraat Katılım Bankası A.Ş. ("**Ziraat Katılım**"), to Ziraat Katılım Varlık Kiralama A.Ş. (in its capacities as issuer of the securities, the "**Issuer**"), to Dubai Islamic Bank P.J.S.C., Emirates NBD Bank PJSC, HSBC Bank plc and Standard Chartered Bank (together, the "**Joint Lead Managers**") that: (i) you understand and agree to the terms set out herein; (ii) you are a relevant person; (iii) you are not a U.S. person (within the meaning of Regulation S), or acting for the account or benefit of a U.S. person, and, to the extent that you purchase the securities described herein, you will be doing so pursuant to Regulation S, and that the electronic mail address that you have given is not located in the United States (including any state of the United States and the District of Columbia), its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands); (iv) you are a person who is permitted under applicable law and regulation to receive this Prospectus; (v) you consent to delivery of such Prospectus and any amendments or supplements thereto by electronic transmission; (vi) you will not transmit the Prospectus (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Joint Lead Managers; (vii) if you are a person in Hong Kong, you are a "professional investor" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; and (viii) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation, *Shari'a* or other economic considerations with respect to your decision to subscribe or purchase any of the securities.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver or disclose, electronically or otherwise, the contents of the Prospectus to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

The Prospectus does not constitute, and may not be used in connection with, an offer or solicitation in any place where offers to sell or solicitations to buy are not permitted by law. If a jurisdiction requires that an offering of securities described herein be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of the Joint Lead Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such licensed Joint Lead Manager or such affiliate on behalf of Ziraat Katılım, the Issuer or holders of the applicable securities in such jurisdiction.

Recipients of the Prospectus who intend to subscribe for or purchase the securities described herein are reminded that any subscription or purchase may only be made on the basis of the information contained in the Prospectus and/or supplement(s) to the Prospectus (if any).

Under no circumstances shall the Prospectus constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the securities described herein in any jurisdiction in which such offer, solicitation or sale would be unlawful. The Prospectus may only be communicated to persons in the United Kingdom in circumstances where Section 21(1) of the FSMA does not apply.

The distribution of the Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession the Prospectus comes are required by Ziraat Katılım, the Issuer and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions.

The Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Ziraat Katılım, the Issuer, the Joint Lead Managers, the Representative or the Agents, nor any person who controls them, or any director, officer, employee or agent of them or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Ziraat Katılım, the Issuer and the Joint Lead Managers. Please ensure that your copy is complete. Any reply e-mail communications, including those you generate by using the "reply" function on your e-mail software, will be ignored or rejected. You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Each of the Joint Lead Managers is acting exclusively for Ziraat Katılım and the Issuer and no one else in connection with any offer of the securities described in the Prospectus. They will not regard any other person (whether or not a recipient of the Prospectus) as their client in relation to any offer of the securities described in the Prospectus and will not be responsible to anyone other than Ziraat Katılım and the Issuer for providing the protections afforded to their clients nor for giving advice in relation to any offer of the securities described in the Prospectus or any transaction or arrangement referred to herein.

None of the Joint Lead Managers, the Representative or the Agents nor any of their respective directors, officers, employees, agents or affiliates accepts any responsibility whatsoever for the contents of the Prospectus or for any statement made or purported to be made by them, or on their behalf, in connection with the Issuer, Ziraat Katılım or the offer of the securities described in the Prospectus. The Joint Lead Managers, the Representative or the Agents and their directors, officers, employees, agents and affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Joint Lead Managers, the Representative or the Agents or any of their respective directors, officers, employees, agents or affiliates as to the accuracy, completeness or sufficiency of the information set out in the Prospectus and none of the Joint Lead Managers, the Representative or the Agents nor any of their respective directors, officers, employees, agents or affiliates accepts any responsibility for any acts or omissions of the Issuer, Ziraat Katılım or any other person in connection with the Prospectus or the issue and offering of the securities described in the Prospectus.



## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

(incorporated in the Republic of Türkiye as an asset lease company in the form of a joint stock company)

### U.S.\$500,000,000 LEASE CERTIFICATES DUE NOVEMBER 2026

The U.S.\$500,000,000 lease certificates due November 2026 (the "**Certificates**") of Ziraat Katılım Varlık Kiralama A.Ş. (the "**Issuer**") will be authorised and issued in accordance with the terms of the Transaction Documents (as defined herein) including a representative agreement (the "**Representative Agreement**") to be dated 6 November 2023 (the "**Closing Date**") between the Issuer, Ziraat Katılım Bankası A.Ş. ("**Ziraat Katılım**", the "**Bank**" or the "**Obligor**") and HSBC Bank plc (as: (i) donee of certain powers; and (ii) as representative of the Certificateholders, the "**Representative**"). The Certificates confer on the holders of the Certificates from time to time (the "**Certificateholders**") the right to receive certain payments (as more particularly described herein) arising from a *pro rata* undivided ownership interest in the Lease Certificate Assets (as defined herein) and the Issuer will hold its interest in the Lease Certificate Assets in its own name and on its own behalf but for the benefit and account of the Certificateholders *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Representative Agreement and the terms and conditions of the Certificates (the "**Conditions**").

Periodic Distribution Amounts (as defined in the Conditions) shall be payable subject to and in accordance with the Conditions on the outstanding face amount of the Certificates from (and including) the Closing Date to (but excluding) 12 November 2026 (the "**Scheduled Dissolution Date**") at a rate of 9.375 per cent. per annum payable semi-annually in arrear. There will be a long first Return Accumulation Period from, and including, the Closing Date to, but excluding, the first Periodic Distribution Date. The Certificates shall be redeemed on the Scheduled Dissolution Date but the Certificates may also be redeemed before the Scheduled Dissolution Date in certain circumstances described in Condition 11 (*Capital Distributions*).

**The Certificates will be limited recourse obligations of the Issuer. An investment in the Certificates involves certain risks. For a discussion of these risks, see "*Risk Factors*".**

This prospectus (this "**Prospectus**") has been approved by the Central Bank of Ireland, which is the Irish competent authority under Regulation (EU) 2017/1129 (the "**EU Prospectus Regulation**"). The Central Bank of Ireland only approves the Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the EU Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or Ziraat Katılım nor as an endorsement of the quality of the Certificates that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Certificates. Application has been made to the Irish Stock Exchange plc, trading as Euronext Dublin ("**Euronext Dublin**") for the Certificates to be admitted to the official list of Euronext Dublin (the "**Official List**") and to trading on its regulated market. The regulated market of Euronext Dublin is a regulated market for the purposes of Directive 2014/65/EU of the European Parliament and the Council on markets in financial instruments (as amended, "**EU MiFID II**"). References in this Prospectus to Certificates being "admitted to trading" (and all related references) shall mean that such Certificates have been admitted to trading on Euronext Dublin regulated market and have been admitted to the Official List so far as the context permits.

Application has been made to the Capital Markets Board of Türkiye (the "**CMB**") in its capacity as competent authority under Law No. 6362 of Türkiye relating to capital markets (the "**Capital Markets Law**") for the approval of and the issuance and sale of the Certificates by the Issuer outside Türkiye. The issuance certificate (*ihraç belgesi*) relating to the Certificates was approved by the CMB on 25 October 2023 pursuant to a letter dated 26 October 2023 and numbered E-29833736-105.02.02.06-44118. The written approval (which may be in the form of a tranche issuance certificate (*tertip ihraç belgesi*) relating to the Certificates is expected to be issued by the CMB on or before the Closing Date.

The Certificates will be delisted from Euronext Dublin and/or any other stock exchange on which the Certificates have been admitted to trading following the occurrence of a Tangibility Event (as defined herein). See Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

This Prospectus is valid for twelve months. For the avoidance of doubt, the Issuer and Ziraat Katılım shall have no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Certificates.

The Certificates may only be offered, sold or transferred in registered form in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. The Certificates will initially be represented by a global certificate in registered form (the "**Global Certificate**") deposited on or before the Closing Date with, and registered in the name of the nominee of, a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described therein.

The Certificates are expected to be assigned ratings of B- by Fitch Ratings Limited ("**Fitch**"). Ziraat Katılım has been assigned a long-term foreign currency rating of B- with a "stable outlook" by Fitch. Türkiye has been assigned a long-term foreign currency issuer default rating at B (with a negative outlook) by Fitch. Fitch is established in the United Kingdom (the "**UK**") and registered under Regulation (EU) No. 1060/2009 on credit rating agencies as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). Fitch appears on the latest update of the list of registered credit rating agencies on the UK Financial Conduct Authority's (the "**FCA**") Financial Services Register. The rating Fitch has assigned is endorsed by Fitch Ratings Ireland Limited, which is established in the European Economic Area (the "**EEA**") and registered under Regulation (EU) No. 1060/2009 on credit rating agencies, as amended (the "**EU CRA Regulation**"). As such, Fitch Ratings Ireland Limited is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the EU CRA Regulation.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States. The Certificates may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in accordance with all applicable security laws of any state of the United States. For a description of certain restrictions on offers and sales of Certificates and on the distribution of this Prospectus, see "*Subscription and Sale*".

The transaction structure relating to the Certificates (as described in this Prospectus) has been approved by the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC, the Internal Shari'a Supervision Committee of Emirates NBD – Islamic, the HSBC Global Shariah Supervisory Committee and the Global Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles. None of Ziraat Katılım, the Issuer, the Joint Lead Managers (as defined herein), the Representative or any of the Agents (as defined herein) makes any representation as to the *Shari'a* compliance of the Certificates and/or any trading thereof.

Joint Lead Managers

Dubai Islamic Bank  
HSBC

Emirates NBD Capital  
Standard Chartered Bank

The date of this Prospectus is 3 November 2023

## IMPORTANT NOTICES

This Prospectus comprises a prospectus for the purposes of the EU Prospectus Regulation.

Each of the Issuer and Ziraat Katılım accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each of the Issuer and Ziraat Katılım, the information contained in this Prospectus is in accordance with the facts and this Prospectus contains no omission likely to affect the import of such information.

Unless specifically incorporated by reference into this Prospectus, the information on the websites to which this Prospectus refers does not form part of this Prospectus.

None of the Joint Lead Managers (as specified under "*Overview of the Offering*"), the Agents (as defined in the "*Terms and Conditions of the Certificates*"), the Representative or their respective affiliates accepts any responsibility or liability for and none of them makes any representation, warranty or undertaking, express or implied, as to: (a) the accuracy or completeness of the information contained in this Prospectus; (b) any acts or omissions of the Issuer, Ziraat Katılım or any other person in connection with this Prospectus or the issue and offering of the Certificates; or (c) any other information provided in connection with the Issuer, Ziraat Katılım, the Certificates or their distribution. Each Joint Lead Manager, Agent, the Representative and their respective affiliates accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Prospectus or any other information provided by the Issuer or Ziraat Katılım in connection with the Certificates or their distribution.

None of the Joint Lead Managers will regard any actual or prospective holders of the Certificates (whether or not a recipient of this Prospectus) as their client in relation to the offering described in this Prospectus and will not be responsible to anyone other than the Issuer and Ziraat Katılım for providing the protections afforded to its clients nor for providing the services in relation to the offering described in this Prospectus or any transaction or arrangement referred to herein.

No person is or has been authorised by the Issuer or Ziraat Katılım to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Certificates and, if given or made, such information or representation must not be relied upon as having been authorised by Ziraat Katılım, the Issuer, the Representative, the Joint Lead Managers or any Agent.

Neither this Prospectus nor any other information supplied in connection with the Certificates: (i) is intended to provide the basis of any credit or other evaluation; or (ii) should be considered as a recommendation by Ziraat Katılım, the Issuer, the Representative, any Joint Lead Manager or any Agent that any recipient of this Prospectus or any other information supplied in connection with the Certificates should purchase any Certificates. Each prospective investor contemplating purchasing Certificates should determine for itself the relevance of the information contained in this Prospectus, make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness of the Issuer and Ziraat Katılım and its purchase of any Certificates should be based upon such investigation as it deems necessary. Neither this Prospectus nor any other information supplied in connection with the issue of the Certificates constitutes an offer or invitation by or on behalf of Ziraat Katılım, the Issuer, the Representative, the Joint Lead Managers or the Agents to any person to subscribe for or to purchase any Certificates. None of the Joint Lead Managers, the Agents or the Representative undertakes to review the financial condition or affairs of the Issuer or Ziraat Katılım during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers, the Agents or the Representative or that there has been no change in the affairs of any party mentioned herein since that date.

Neither the delivery of this Prospectus nor the offer, issue, sale or delivery of the Certificates shall, under any circumstances, imply that there has been no change in the affairs of the Issuer or Ziraat Katılım since the date hereof or that the information contained herein concerning the Issuer and/or Ziraat Katılım is correct as at any time subsequent to its date or that any other information supplied in connection with the offering of the Certificates is correct as at any time subsequent to the date indicated in the document containing the same.

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered or sold within the United States or to, or for the account of, U.S. persons (as defined in the Securities Act), unless an exemption from the registration requirements of the Securities Act is available and the offer or sale is made in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

**NEITHER THIS PROSPECTUS NOR THE CERTIFICATES HAVE BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OF AMERICA OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF ANY OFFERING OF CERTIFICATES OR THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES OF AMERICA.**

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of Certificates may be restricted by law in certain jurisdictions. Ziraat Katılım, the Issuer, the Representative, the Joint Lead Managers and the Agents do not represent that this Prospectus may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by Ziraat Katılım, the Issuer, the Representative, the Joint Lead Managers or the Agents, which is intended to permit a public offering of any Certificates or distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Certificates. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the UK, the Republic of Türkiye, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, the State of Qatar (including the Qatar Financial Centre), the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the Dubai International Financial Centre, the Abu Dhabi Global Market, Japan, the State of Kuwait, Hong Kong, Singapore and Malaysia (see "*Subscription and Sale*").

No comment is made or advice given by Ziraat Katılım, the Issuer, the Representative, the Joint Lead Managers or the Agents in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER, BUSINESS ADVISER AND *SHARI'A* ADVISER AS TO TAX, LEGAL, BUSINESS, *SHARI'A* AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.**

The Certificates are complex financial instruments, and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Certificates which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

The Certificates may not be a suitable investment for all investors. Generally, investment in emerging markets such as Türkiye is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets. Each potential investor in Certificates must determine the suitability of an investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Certificates and the complex structure thereof, the merits and risks of investing in the Certificates and the information contained in this Prospectus or any applicable supplement;
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- has sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- understands thoroughly the terms of the Certificates and is familiar with the behaviour of any relevant indices and financial markets;
- is able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks; and
- is able to evaluate the compliance of the Certificates with *Shari'a* principles.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent: (1) Certificates are legal investments for it; (2) Certificates can be used as collateral for various types of financing; and (3) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

None of the Issuer, Ziraat Katılım, the Joint Lead Managers, the Representative or any Agent makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

Some statements in this Prospectus may be deemed to be forward looking statements. The words "anticipate", "believe", "expect", "plan", "intend", "targets", "aims", "seeks", "estimate", "project", "will", "would", "may", "could", "continue", "should" and similar expressions are intended to identify forward-looking statements. All statements other than statements of historical fact included in this Prospectus, including, without limitation, those regarding the financial position of Ziraat Katılım, or the business strategy, management plans and objectives for future operations of Ziraat Katılım, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause Ziraat Katılım's actual results, performance or achievements, or industry results, to be materially different from those expressed or implied by these forward-looking statements. These forward-looking statements are contained in the sections entitled "*Risk Factors*" and "*Description of Ziraat Katılım Bankası A.Ş.*" and other sections of this Prospectus. Ziraat Katılım has based these forward-looking statements on the current view of its management with respect to future events and financial performance. These forward-looking statements are based on numerous assumptions regarding Ziraat Katılım's present, and future, business strategies and the environment in which Ziraat Katılım expects to operate in the future. Important factors that could cause Ziraat Katılım's actual results, performance or achievements to differ materially from those in the forward-looking statements are discussed under "*Risk Factors*".

Forward-looking statements speak only as at the date of this Prospectus and, without prejudice to any requirements under applicable laws and regulations, the Issuer and Ziraat Katılım expressly disclaim any obligation or undertaking to publicly update or revise any forward-looking statements in this Prospectus to reflect any change in the expectations of the Issuer or Ziraat Katılım or any change in events, conditions or circumstances on which these forward-looking statements are based. Given the uncertainties of forward-looking statements, the Issuer and Ziraat Katılım cannot assure potential investors that projected results or events will be achieved and the Issuer and Ziraat Katılım caution potential investors not to place undue reliance on these statements.

## PRESENTATION OF CONSOLIDATED FINANCIAL AND CERTAIN OTHER INFORMATION

### Presentation of Financial Information

#### *Financial Information*

Ziraat Katilim Bankası A.Ş. ("**Ziraat Katilim**" or the "**Bank**") maintains its books and prepares its statutory financial statements in Turkish Lira in accordance with the Turkish Banking Law No. 5411 of 2005 (as amended, the "**Banking Law**") and in accordance with the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No. 26333 dated 1 November 2006 by the Turkish Banking Regulation and Supervision Agency (the "BRSA") which refers to "Turkish Accounting Standards" (the "**TAS**") and "Turkish Financial Reporting Standards" (the "**TFRS**") and the Turkish Accounting Standards 34 ("**TAS 34**") Interim Financial Reporting Standard issued by the Public Oversight Accounting and Auditing Standards Authority (in *Turkish: Kamu Gözetimi Muhasebe ve Denetim Standartları Kurumu*) (the "**POA**"), and other decrees, notes and explanations related to the accounting and financial reporting principles published by the BRSA (collectively referred to in this Prospectus as "**BRSA Principles**").

The Issuer prepared its audited financial statements as at and for the years ended 31 December 2022 and 2021 (together, the "**Issuer Audited Financial Statements**"), and its unaudited interim financial statements as of and for the six months ended 30 June 2023 (the "**Issuer 2023 Half-Year Financial Statements**") and, together with the Issuer Audited Financial Statements, the "**Issuer Financial Statements**"), each in accordance with TAS, TFRS, and TAS34.

None of the Audited Financial Statements (as defined below) have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), including International Accounting Standards ("**IAS**") as promulgated by the International Accounting Standards Board ("**IASB**"). There may have been material differences in the financial information had IFRS been applied to the historical financial information of the Issuer and Ziraat Katilim. See "*Summary of Differences between IFRS and BRSA Principles*" for a discussion of certain significant differences between IFRS and BRSA Principles. See "*Summary of Differences between IFRS and TFRS*" for a discussion of certain significant differences between IFRS and TFRS.

Pursuant to TAS 29, Financial Reporting in High Inflation Economies ("**TAS 29**") under TFRS and the corresponding International Accounting Standards 29 ("**IAS 29**") under IFRS, the financial statements of entities whose functional currency is that of a hyperinflationary economy must be adjusted for the effects of changes in a general price index. Neither TAS 29 nor IAS 29 establishes an absolute rate when hyperinflation is deemed to arise, but rather each provides a series of non-exclusive guidelines as to when restatement of financial statements becomes necessary. These guidelines include, among other considerations, quantitative criteria based upon if the three-year cumulative inflation rate approaches or exceeds 100 per cent. In March 2022, the International Practices Task Force of the Centre for Audit Quality, which monitors countries experiencing high inflation, categorised Türkiye as a country with a three-year cumulative inflation rate greater than 100 per cent. as of 28 February 2022. Accordingly, Turkish companies reporting under IFRS should apply IAS 29 to their financial statements for periods ending on and after 30 June 2022.

With respect to TFRS, TAS 29 recommends that all entities that report in the currency of the same hyperinflationary economy apply this standard from the same date. As such, as indicated in TAS 29, in order to ensure application compatibility within Türkiye, all reporting entities are expected to start to use TAS 29 at the same time following an announcement to do so by the POA. As of the date of this Prospectus, the POA has not yet published any such announcement on whether such entities should apply this standard with respect to their financial statements for any accounting period ending on 30 June 2023 or thereafter. As a result, the Bank's BRSA Financial Statements incorporated by reference into this Prospectus have not applied the inflation adjustment standards of TAS 29; however, such adjustments might be applied in the future (including with respect to some or all of the interim and/or annual BRSA Financial Statements for 2023). As a result, the Group's and the Bank's BRSA Financial Statements: (a) are not currently adjusted for inflation and (b) to the extent they are hereafter so adjusted for inflation, will not be comparable to financial statements from earlier periods prepared without such policies.

Ziraat Katilim's financial statements included elsewhere in this Prospectus include:

- (a) the audited consolidated annual statutory financial statements of Ziraat Katilim as of and for the year ended 31 December 2021 (including any notes thereto and the unqualified independent auditor's audit report issued in respect thereof by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("**PwC Türkiye**") prepared and presented in accordance with the BRSA Principles) (the "**2021 Audited Annual Financial Statements**"), which include comparative information as of and for the year ended 31 December 2020;
- (b) the audited consolidated annual statutory financial statements of Ziraat Katilim as of and for the year ended 31 December 2022 (including any notes thereto and the qualified independent auditor's audit report issued in respect thereof by PwC Türkiye prepared and presented in accordance with the BRSA Principles except for the free provisions (which are not within the requirements of the BRSA Principles) (the "**2022 Audited Annual Financial Statements**" and, together with the 2021 Audited Annual Financial Statements, the "**Audited Financial Statements**"), which include comparative information as of and for the year ended 31 December 2021; and
- (c) the unaudited consolidated interim financial statements of Ziraat Katilim as of and for the six months ended 30 June 2023 (including any notes thereto and the independent auditor's review report issued in respect thereof by PwC Türkiye) prepared and presented in accordance with BRSA Accounting and Financial Reporting Legislation) (the "**2023 Half-Year Financial Statements**"), which include unaudited comparative numbers for the six months ended 30 June 2022 (the Audited Financial Statements and the 2023 Half-Year Financial Statements together being referred to in this Prospectus as the "**Financial Statements**").

The 2023 Half-Year Financial Statements included elsewhere in this Prospectus were prepared in accordance with BRSA Accounting and Financial Reporting Legislation which includes the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette numbered 26333, dated 1 November 2006, and other regulations on accounting records of banks published by the BRSA and circulars and interpretations published by the BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. The Audited Financial Statements included elsewhere in this Prospectus have each been prepared in accordance with BRSA Principles.

The Audited Financial Statements included elsewhere in this Prospectus have been audited by PwC Türkiye in accordance with the "Regulation on Independent Auditing of Banks" published by the BRSA in the Official Gazette numbered 29314 dated 2 April 2015 and Standards on Independent Auditing that are part of Turkish Auditing Standards published by the POA. The Issuer Audited Financial Statements included elsewhere in this Prospectus have been audited by PwC Türkiye in accordance with the Standards on Independent Auditing that are part of Turkish Standards on Auditing Standards issued by the POA.

The 2023 Half-Year Financial Statements and the Issuer 2023 Half-Year Financial Statements included elsewhere in this Prospectus have been reviewed by PwC Türkiye in accordance with the Standard on Review Engagement (SRE) 2410, "Limited Review of Interim Financial Information performed by the Independent Auditor of the Entity".

The Financial Statements included elsewhere in this Prospectus are prepared on a historical cost basis except for the financial assets and liabilities carried at fair value. Unless otherwise indicated, the financial information presented herein is extracted without material modification from the Financial Statements included elsewhere in this Prospectus. The Financial Statements included elsewhere in this Prospectus, all of which are in English, were prepared as convenience translations of the Turkish language Financial Statements (which translations the Issuer and Ziraat Katilim confirm are direct and accurate). None of the English language Financial Statements were prepared for the purpose of their inclusion elsewhere in this Prospectus.

Certain figures included in this Prospectus have been subject to rounding adjustments (e.g., certain U.S. dollar or Turkish Lira amounts have been rounded to the nearest million). Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

PwC Türkiye's independent auditor's report in the 2022 Audited Annual Financial Statements and the 2023 Half-Year Financial Statements were qualified with respect to free provisions which are not within the requirements of BRSA principles that were allocated by Ziraat Katilim. These additional provisions were taken in accordance with the conservatism principle applied by Ziraat Katilim in considering the circumstances that might arise from any changes in the economy or market conditions. See PwC Türkiye's independent auditor's report included within the 2022 Audited Annual Financial Statements and the 2023 Half-Year Financial Statements. See *"Risk factors relating to Ziraat Katilim's business - The auditor's report in relation to Ziraat Katilim's 2022 Annual Audited Financial Statements and the auditor's review report in relation to Ziraat Katilim's 2023 Half-Year Financial Statements have included a qualification paragraph and reports in relation to future financial statements might include similar qualifications"*.

Unless otherwise indicated, the sources for statements and data concerning the Issuer and Ziraat Katilim and its business are based upon best estimates and assumptions of the Issuer and Ziraat Katilim's senior management. Senior management believes that these assumptions are reasonable and that its estimates have been prepared with due care. The data concerning the Issuer and Ziraat Katilim included herein, whether based upon external sources or based upon the Issuer and Ziraat Katilim's senior management internal research, constitute the best current estimates of the information described.

### **BRSA Principles, TFRS and International Financial Reporting Standards**

BRSA Principles differ from IFRS. For a discussion of the differences between BRSA Principles and IFRS, see *"Summary of Differences between IFRS and BRSA Principles"*. TFRS differ from IFRS. For a discussion of the differences between TFRS and IFRS, see *"Summary of Differences between IFRS and TFRS"*.

### **Certain Conventions**

All references in this Prospectus to **"U.S. dollars"**, **"U.S.\$"** and **"\$"** are to the lawful currency of the United States of America, all references to **"euro"** and **"€"** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, and all references to **"Turkish Lira"** (in Turkish: Türk Lirası) **"TRY"** and **"TL"** are to the lawful currency of the Republic of Türkiye. Translations of amounts from U.S. dollars or euro to Turkish Lira and *vice versa* in this Prospectus are solely for the convenience of the reader.

In this Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

### **Rounding**

Certain figures and percentages included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

### **Foreign Language**

The language of this Prospectus is English. Certain legislative references and technical terms have been cited by reference to the original Turkish term in order that the correct technical meaning may be ascribed to them under Turkish law.

### **Certain Defined Terms**

Capitalised terms which are used but not defined in any section of this Prospectus will have the meaning attributed thereto in the Conditions or any other section of this Prospectus. In addition, the following terms as used in this Prospectus have the meanings defined below:

- references to **"BRSA"** are to the Banking Regulation and Supervision Agency of Türkiye;
- references to **"TFRS"** are to the Turkish Financial Reporting Standards;
- references to **"Türkiye"** are to the Republic of Türkiye;
- references to **"Turkish Central Bank"**, **"Central Bank"** and **"CBT"** are to the Central Bank of the Republic of Türkiye; and

- references to a "**Member State**" herein are references to a Member State of the European Economic Area.

### Alternative Performance Measures ("APMs")

To supplement Ziraat Katilim's Audited Financial Statements presented in accordance with the BRSA Principles, Ziraat Katilim uses certain ratios and measures included in this Prospectus that might be considered to be "alternative performance measures" (each an APM) as described in the ESMA Guidelines on Alternative Performance Measures (the "**ESMA Guidelines**") published by the European Securities and Markets Authority (the "**ESMA**") on 5 October 2015. The ESMA Guidelines provide that an APM is understood as "a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework". The ESMA Guidelines also note that they do not apply to APMs "disclosed in accordance with applicable legislation, other than the applicable financial reporting framework, that sets out specific requirements governing the determination of such measures".

For Ziraat Katilim, these measures include:

- *loan to deposit ratio*: as of a particular date, this is total loans and receivables (including financial leasing receivables) as a percentage of customer deposits;
- *loan portfolio growth*: means growth rate calculated with respect to the net loans and lease receivables figures;
- *sectoral concentration ratio*: the ratio of cash and non-cash loans (including financial leasing receivables) to total loans in sectoral basis;
- *customer concentration ratio*: the ratio of top 10 and top 100 customer loans to total loans (including financial leasing receivables);
- *net profit share margin*: net profit share margin represents net profit share income as a percentage of average earning assets;
- *cost-to-income ratio*: for a particular period, this is: (a) the "cost" (calculated as total operating expenses excluding net impairment losses on financial assets) for such period divided by; (b) the "income" (calculated as total operating income excluding dividend income) for such period;
- *compound annual growth rate ("CAGR")*: CAGR is calculated by dividing the ending value by the initial value, raising the result to the power of one divided by the period length and subtracting one from the subsequent result;
- *return on average total assets*: for a particular period, net profit for the period as a percentage of average total assets;
- *return on average shareholders' equity*: for a particular period, net profit for that particular period as a percentage of average shareholders' equity;
- *non-performing loans to total cash loans*: as of a particular date, this is: (a) non-performing loans (including financial leasing receivables) as of such date divided by; (b) the loans and receivables (including financial leasing receivables) as of such date. This ratio is also referred to in this Prospectus as "ratio of credits in arrears to total cash credits" or "**NPL ratio**";
- *net foreign exchange position to capital base*: the net foreign exchange position, which means the difference between the Turkish Lira equivalent of foreign exchange assets and foreign exchange liabilities, as a percentage of regulatory capital. This ratio cannot exceed 20 per cent. based on regulatory capital as presented in Ziraat Katilim's consolidated and unconsolidated financial statements.
- *cost to average total assets*: for a particular period, this is: (a) the "cost" (calculated as total operating expenses excluding net impairment losses on financial assets) for such period as a percentage of; (b) the average total assets (determined on a quarterly basis);

- *average profit earning assets*: for a particular period, average profit earning assets represents the average of the opening and closing balances for the applicable period. The amount for the period is calculated by first adding financial assets at fair value through profit/loss, banks, money market placements, financial assets measured at fair value through other comprehensive income, loans and receivables investment held to maturity; then subtracting fund sourced loans;
- *average shareholders' equity*: for a particular period, the average of the opening and closing balances for that particular period;
- *net cash loan portfolio*: for a particular period, comprises loans and other cash advances, including lease receivables; and
- *marketable securities portfolio*: for a particular period, securities which are included in trading securities portfolio.

The APMs included in this Prospectus are not in accordance with or an alternative to measures prepared in accordance with BRSA Principles and may be different from similarly-titled APMs used by other entities. Ziraat Katilim's senior management believes that this information, along with comparable measures under BRSA Principles, is useful to investors because it provides a basis for measuring the organic operating performance in the years presented. These measures are used in internal management of the Bank, along with the most directly comparable financial measures under BRSA Principles, in evaluating the Bank's operating performance. APMs should not be considered in isolation from, or as a substitute for, financial information presented in compliance with BRSA Principles. APMs as reported by the Bank may not be comparable to similarly titled amounts reported by other companies.

Reconciliations for certain items listed above (to the extent that any of such items are APMs) to the applicable financial statements are not included as they are not required by the ESMA Guidelines in these circumstances, including as a result of Article 29 thereof where the items described in the APM are directly identifiable from the financial statements (e.g., where an applicable APM is merely a calculation of one item in the financial statements as a percentage of another item in the financial statements).

Certain APMs are not part of Ziraat Katilim's audited, consolidated financial statements and/or have not been audited or otherwise reviewed by external auditors, consultants or experts and in certain circumstances are based on Ziraat Katilim's estimates. **Information Sourced from Third Parties**

Any information sourced from third parties contained in this Prospectus has been accurately reproduced and, as far as the Issuer and Ziraat Katilim are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

#### ***No incorporation of website information***

Ziraat Katilim's website is <https://www.ziraatkatilim.com.tr/en>. The information on this website or any other website mentioned in this Prospectus or any website directly or indirectly linked to these websites has not been verified and is not incorporated by reference into this Prospectus, and investors should not rely on it.

## **STABILISATION**

In connection with the issue of the Certificates, a Joint Lead Manager acting as stabilising manager under the Subscription Agreement (the "**Stabilising Manager**") or persons acting on behalf of the Stabilising Manager, may effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail. However, stabilisation action may not necessarily occur. Any stabilisation action may begin on or after the Closing Date and, if begun, may cease at any time, but it must end no later than the earlier of thirty (30) days after the issue date of the Certificates and sixty (60) days after the date of the allotment of the Certificates. Any stabilisation action must be conducted by the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) in accordance with all applicable laws and rules.

## SUITABILITY OF INVESTMENTS

The Certificates may not be a suitable investment for all investors. Each potential investor in Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Prospectus;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

## NOTICE TO RESIDENTS OF TÜRKİYE

The Certificates (or beneficial interests therein) shall not be sold in Türkiye in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law No. 6362 without the approval of the Capital Markets Board of Türkiye ("**CMB**"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Türkiye by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Türkiye for the purpose of the offer or sale of the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of Decree No. 32 on the Protection of the Value of the Turkish Currency (as amended from time to time, "**Decree No. 32**"), residents of Türkiye may purchase or sell the Certificates denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse enquiry) basis, **provided that** such sale and purchase is made in the financial markets outside Türkiye through banks and/or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through licensed banks authorised under the BRSA regulations.

## NOTICE TO UK RESIDENTS

The Certificates do not constitute "alternative finance investment bonds" within the meaning of Article 77A of The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended). The Certificates represent interests in a collective investment scheme (as defined in the Financial Services and Markets Act 2000, as amended (the "**FSMA**")) which has not been authorised, recognised or otherwise approved by the FCA. Accordingly, this Prospectus is not being distributed to and must not be passed on to the general public in the UK.

The distribution in the UK of this Prospectus and any other marketing materials relating to the Certificates is being addressed to, or directed at: (A) if the distribution of the Certificates is being effected by a person who is not an authorised person under the FSMA, only the following persons: (i) persons who are Investment Professionals as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Financial Promotion Order**"); (b) persons falling within any of the categories of persons described in Article 49(2) (high net worth companies, unincorporated associations, etc.) of the Financial Promotion Order; and (c) any other person to whom it may otherwise lawfully be made in accordance with the Financial Promotion Order; and (B) if the distribution is effected by a person who is an authorised person under the FSMA, only the following persons: (i) persons falling within one of the categories of Investment Professional as defined in Article 14(5) of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the "**Promotion of CISs Order**"); (ii) persons falling within any of the categories of person described in Article 22 (high net worth companies, unincorporated associations, etc.) of the Promotion of CISs Order; and (iii) any other

person to whom it may otherwise lawfully be made in accordance with the Promotion of CISs. Persons of any other description in the UK may not receive and should not act or rely on this Prospectus or any other marketing materials in relation to the Certificates.

Potential investors in the UK in the Certificates are advised that all, or most, of the protections afforded by the UK regulatory system will not apply to an investment in the Certificates and that compensation will not be available under the UK Financial Services Compensation Scheme.

Any individual intending to invest in the Certificates should consult its professional adviser and ensure that he fully understands all the risks associated with making such an investment and that he has sufficient financial resources to sustain any loss that may arise from such investment.

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN**

In relation to investors in the Kingdom of Bahrain, Certificates issued in connection with this Prospectus and related offering documents may only be offered in registered form to existing accountholders and accredited investors (each as defined by the Central Bank of Bahrain (the "**CBB**")) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or any equivalent amount in any other currency or such other amount as the CBB may determine.

This Prospectus does not constitute an offer of securities in the Kingdom of Bahrain pursuant to the terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Prospectus and any related offering documents have not been and will not be registered as a prospectus with the CBB. Accordingly, no Certificates may be offered, sold or made the subject of an invitation for subscription or purchase nor will this Prospectus or any other related document or material be used in connection with any offer, sale or invitation to subscribe or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors (as such term is defined by the CBB) for an offer outside the Kingdom of Bahrain.

The CBB has not reviewed, approved or registered this Prospectus or any related offering documents and it has not in any way considered the merits of the Certificates to be offered for investment, whether in or outside the Kingdom of Bahrain. Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Prospectus and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Prospectus. No offer of Certificates will be made to the public in the Kingdom of Bahrain and this Prospectus must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE SULTANATE OF OMAN**

The information contained in this Prospectus does not constitute a public offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of the Sultanate of Oman (Royal Decree 18/19, as amended) (the "**Commercial Companies Law**") or Article 3 of the Capital Market Law of the Sultanate of Oman (Royal Decree 80/98, as amended) nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Oman Capital Market Authority (CMA Decision 3/2016). This Prospectus will only be made available to investors in the Sultanate of Oman in accordance with Article 139 of the Executive Regulations of the Capital Market Law (CMA Decision 1/2009, as amended) (the "**Executive Regulations**") by an entity duly licensed by the Oman Capital Market Authority to market non-Omani securities in the Sultanate of Oman.

This Prospectus has not been (and will not be) filed with the Capital Market Authority of the Sultanate of Oman (except in accordance with Article 139 of the Executive Regulations), the Central Bank of Oman or any other regulatory authority in the Sultanate of Oman and neither the Oman Capital Market Authority nor the Central Bank of Oman assumes responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus and shall not have any liability to any person for damage or loss resulting from reliance on any statements or information contained herein.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR (INCLUDING THE QATAR FINANCIAL CENTRE)**

The Certificates will not be offered or sold at any time, directly or indirectly, in the State of Qatar (including the Qatar Financial Centre) in a manner that would constitute a public offering. This Prospectus has not

been and will not be reviewed or approved by, or registered with, the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Stock Exchange or the Qatar Financial Centre Regulatory Authority in accordance with their regulations or any other regulations in the State of Qatar (including the Qatar Financial Centre). The Certificates are not and will not be traded on the Qatar Stock Exchange. The Certificates and interests therein will not be offered to investors domiciled or resident in the State of Qatar (including the Qatar Financial Centre) and do not constitute debt financing in the State of Qatar (including the Qatar Financial Centre) under the Commercial Companies Law No. (11) of 2015 or otherwise under the laws of the State of Qatar (including the Qatar Financial Centre).

#### **NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA**

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the "Rules on the Offer of Securities and Continuing Obligations" issued by the Capital Market Authority of the Kingdom of Saudi Arabia (the "**Capital Market Authority**").

The Capital Market Authority does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial advisor.

#### **NOTICE TO RESIDENTS OF MALAYSIA**

The Certificates may not be offered for subscription or purchase and no invitation to subscribe for or purchase the Certificates in Malaysia may be made, directly or indirectly, and this Prospectus or any document or other materials in connection therewith may not be distributed in Malaysia other than to persons falling within the categories set out in Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b), read together with Schedule 8 or Section 257(3) of the Capital Market and Services Act 2007 of Malaysia, as may be amended and/or varied from time to time and subject to any amendments to the applicable laws from time to time. The Securities Commission of Malaysia shall not be liable for any non-disclosure on the part of the Issuer or Ziraat Katılım and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Prospectus.

#### **EU MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET**

Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (a) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (b) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

#### **UK MIFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET**

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that: (a) the target market for the Certificates is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook, and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (b) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Certificates (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**PRODUCT CLASSIFICATION PURSUANT TO SECTION 309B OF THE SECURITIES AND  
FUTURES ACT (CHAPTER 289 OF SINGAPORE)**

In connection with Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore, as amended or modified from time to time (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Certificates are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).

## **VOLCKER RULE**

The Volcker Rule, which became effective on 1 April 2014, but was subject to a conformance period for certain entities that concluded on 21 July 2015, generally prohibits "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) from: (i) engaging in proprietary trading; (ii) acquiring or retaining an ownership interest in or sponsoring a "covered fund"; and (iii) entering into certain relationships with "covered funds". The general effects of the Volcker Rule remain uncertain; any prospective investor in the Certificates and any entity that is a "banking entity" as defined under the Volcker Rule which is considering an investment in the Certificates should consult its own legal advisers and consider the potential impact of the Volcker Rule in respect of such investment. If investment by "banking entities" in the Certificates is prohibited or restricted by the Volcker Rule, this could impair the marketability and liquidity of such Certificates. No assurance can be made as to the effect of the Volcker Rule on the ability of certain investors subject thereto to acquire or retain an interest in the Certificates, and accordingly none of the Issuer, Ziraat Katılım, the Joint Lead Managers, the Representative or the Agents, or any of their respective affiliates, makes any representation regarding (a) the status of the Issuer under the Volcker Rule (including whether it is a "covered fund" for their purposes) or (b) the ability of any purchaser to acquire or hold the Certificates, now or at any time in the future.

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## OVERVIEW OF THE OFFERING

*The following description does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Prospectus. Any decision to invest in the Certificates should be based on a consideration of this Prospectus as a whole.*

*Words and expressions defined in "Terms and Conditions of the Certificates" and "Summary of the Principal Transaction Documents" shall have the same meanings in this overview. Reference to a "Condition" is to a numbered condition of the Conditions.*

<b>Description of the Certificates</b>	U.S.\$500,000,000 Certificates due November 2026
<b>Issuer</b>	Ziraat Katılım Varlık Kiralama A.Ş. (the " <b>Issuer</b> "), a joint stock company ( <i>anonim şirket</i> ) incorporated in Türkiye in accordance with the Capital Markets Law and the Sukuk Communiqué as an asset lease company. The Issuer has been incorporated solely for the purpose described in " <i>Description of the Issuer</i> ".
<b>Ownership of the Issuer</b>	The authorised share capital of the Issuer is TRY 50,000 consisting of 50,000 shares of TRY 1 each, of which 50,000 shares are fully paid up and issued. The Issuer's entire issued share capital is held by Ziraat Katılım.
<b>Issuer's Legal Entity Identifier (LEI)</b>	789000NE04RSMGOX9737
<b>Obligor</b>	Ziraat Katılım Bankası A.Ş.
<b>Obligor's Legal Entity Identifier (LEI)</b>	789000BUS1GG1SPR6W16
<b>Joint Lead Managers</b>	Dubai Islamic Bank P.J.S.C., Emirates NBD Bank PJSC, HSBC Bank plc and Standard Chartered Bank
<b>Representative</b>	HSBC Bank plc. In accordance with the Representative Agreement, the Representative will agree to undertake certain administrative functions in respect of the Certificates and the Transaction Documents and in its capacity as: (i) as trustee of the Certificateholders pursuant to the Representative Agreement; and (ii) the donee of powers set out in clause 10 ( <i>Powers of the Representative</i> ) of the Representative Agreement.
<b>Principal Paying Agent, Transfer Agent and Registrar</b>	HSBC Bank plc
<b>Risk Factors</b>	There are certain factors that may affect the Issuer's ability to fulfil its obligations under the Certificates and the Transaction Documents to which it is a party and Ziraat Katılım's ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Certificates. These risks may ultimately impact the Certificateholders' ability to receive payment under the Certificates. See " <i>Risk Factors</i> ".
<b>Summary of the Structure</b>	An overview of the structure of the transaction and the principal cash flows is set out in the section entitled " <i>Structure Diagram and Cash Flows</i> ".

<b>Summary of the Principal Transaction Documents</b>	An overview of the principal terms of the principal Transaction Documents is set out in the section entitled " <i>Summary of the Principal Transaction Documents</i> ".
<b>Closing Date</b>	6 November 2023.
<b>Issue Price</b>	99.996 per cent. of the aggregate face amount of the Certificates.
<b>Denomination of Certificates</b>	The Certificates will be issued in minimum denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.
<b>Lease Certificate Assets</b>	<p>The "Lease Certificate Assets" will comprise, so long as the Sukuk Communiqué permits:</p> <ul style="list-style-type: none"> <li>(a) the net proceeds of the issue of the Certificates, pending application thereof in accordance with the terms of the Transaction Documents;</li> <li>(b) all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets and the obligations of the Service Agent to make payments under the Service Agency Agreement;</li> <li>(c) all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement and other than: (i) in relation to any representation given by Ziraat Katılım to the Issuer or the Representative pursuant to any of the Transaction Documents; and (ii) the covenants given to the Issuer pursuant to clause 18 (<i>Remuneration and Indemnification</i>) of the Representative Agreement);</li> <li>(d) all monies standing to the credit of the Transaction Account from time to time; and</li> <li>(e) all proceeds of the foregoing,</li> </ul> <p>which are held by the Issuer in its own name and on its own behalf but for the benefit and account of the Certificateholders <i>pro rata</i> according to the face amount of Certificates held by each holder in accordance with the Representative Agreement and the Conditions.</p>
<b>Periodic Distribution Dates</b>	12 May and 12 November in each year commencing on 12 May 2024.
<b>Periodic Distributions</b>	Profit shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending immediately before that date, as calculated in accordance with Condition 8 ( <i>Periodic Distribution Provisions</i> ). There will be a long Return Accumulation Period from, and including, the Closing Date to, but excluding, the first Periodic Distribution Date.
<b>Return Accumulation Period</b>	The period from and including the Closing Date to, but excluding the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to but excluding

	the next succeeding Periodic Distribution Date or, if earlier, the Dissolution Date.
<b>Scheduled Dissolution Date</b>	Unless the Certificates are previously redeemed or purchased and cancelled, the Certificates will be redeemed on 12 November 2026.
<b>Form of Certificates</b>	<p>The Certificates will be issued in registered form only as described in "<i>Global Certificate</i>". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of the nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances described under "<i>Global Certificate</i>".</p> <p>Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear and/or Clearstream, Luxembourg. Transfers within and between each of Euroclear or Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing system.</p>
<b>Status of the Certificates</b>	<p>Each Certificate evidences an undivided ownership interest in the Lease Certificate Assets, subject to the terms of the Representative Agreement and the Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Issuer. Each Certificate ranks <i>pari passu</i>, without any preference or priority, with the other Certificates.</p> <p>The payment obligations of Ziraat Katılım (in any capacity) under the Transaction Documents to which it is a party are and will be direct, unconditional, unsubordinated and (subject to the provisions described in Condition 5 (<i>Negative Pledge</i>)) unsecured obligations of Ziraat Katılım and will at all times rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law and subject to the provisions described in Condition 5 (<i>Negative Pledge</i>)) at least equally with all its other present and future unsubordinated and unsecured obligations from time to time outstanding.</p>
<b>Issuer Covenants</b>	The Issuer has agreed to certain restrictive covenants. See Condition 7 ( <i>Issuer Covenants</i> ).
<b>Obligor Covenants</b>	Ziraat Katılım has agreed to a negative pledge. See Condition 5 ( <i>Negative Pledge</i> ).
<b>Dissolution Events</b>	Upon the occurrence of any Dissolution Event, the Certificates may be redeemed on the Dissolution Event Redemption Date at the Dissolution Event Amount. See Condition 15 ( <i>Dissolution Events</i> ).
<b>Dissolution Distribution Amount</b>	The aggregate outstanding face amount of the Certificates plus all accrued and unpaid Periodic Distribution Amounts in respect of such Certificates.

**Early Dissolution for Tax Reasons**

Where the Issuer has or will become obliged to pay any additional amounts in respect of the Certificates pursuant to Condition 13 (*Taxation*) or Ziraat Katılım has or will become obliged to pay any additional amounts in respect of amounts payable pursuant to any Transaction Document to which it is a party as a result of a change in the laws of a Relevant Jurisdiction and where such obligation cannot be avoided by the Issuer or Ziraat Katılım, as applicable, taking reasonable measures available to it, the Issuer shall, upon receipt of an exercise notice from Ziraat Katılım pursuant to the Sale and Substitution Undertaking, redeem the Certificates in whole but not in part at the Early Tax Dissolution Amount on the Early Tax Dissolution Date in accordance with Condition 11.2 (*Early Dissolution for Tax Reasons*).

**Tangibility Event Put Right**

If a Tangibility Event occurs, Certificateholders may, in the circumstances set out in Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) exercise their right to redeem their Certificates on any Tangibility Event Put Right Date at the Tangibility Event Dissolution Amount by delivering a Tangibility Event Put Notice within the Tangibility Event Put Period, subject to and in accordance with Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*).

Following the occurrence of a Tangibility Event, as determined in consultation with the Ziraat Katılım *Shari'a* Advisory Board, the Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis).

On the date falling 15 days following the Tangibility Event Put Right Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading.

**Change of Control Put Right**

Upon the occurrence of a Change of Control and provided that a Change of Control Notice has been received by the Issuer in accordance with Condition 11.4 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*) or the Issuer otherwise becoming aware of the same, Certificateholders may elect to redeem their Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Amount in accordance with Condition 11.4 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

A "**Change of Control**" shall be deemed to occur if, either:

- (a) the Republic of Türkiye, acting through the Türkiye Wealth Fund managed by Türkiye Varlık Fonu Yönetimi A.Ş. or through any other entity owned or controlled, directly or indirectly, by the Republic of Türkiye, ceases to:
  - (i) control or hold, directly or indirectly, more than 50.0 per cent. of the ordinary shares of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.; or
  - (ii) whether directly or indirectly and whether by ownership of share capital, possession of voting powers or otherwise, be able to appoint, or direct the

appointment of, a majority of the board of directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.; or

- (b) Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ceases to:
- (i) control or hold, directly or indirectly, 50.1 per cent. of the ordinary shares of Ziraat Katılım; or
  - (ii) whether directly or indirectly and whether by ownership of share capital, possession of voting powers or otherwise, be able to appoint, or direct the appointment of, a majority of the board of directors of Ziraat Katılım.

**Clean Up Call Right**

If 75 per cent. or more of the aggregate face amount of the Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to Condition 11 (*Capital Distributions*) or Condition 12 (*Purchase and Cancellation of Certificates*), the Issuer shall, upon receipt of an exercise notice from Ziraat Katılım in accordance with the Sale and Substitution Undertaking, redeem the Certificates in whole but not in part, at the Clean Up Call Right Dissolution Amount on the Clean Up Call Right Dissolution Date, subject to and in accordance with Condition 11.5 (*Dissolution at the Option of Ziraat Katılım (Clean Up Call Right)*).

**Substitution of Portfolio Assets**

Pursuant to the Sale and Substitution Undertaking, Ziraat Katılım may, at any time, exercise its right to require the Issuer to substitute on any Substitution Date some or all of the Portfolio Assets with New Portfolio Assets (as specified in the relevant Substitution Notice, and each as defined in the Sale and Substitution Undertaking) having a value which is equal to or greater than the value of the relevant Portfolio Assets being substituted.

**Transaction Account**

The Principal Paying Agent will maintain and operate a non-interest bearing U.S. dollar account opened in the name of the Issuer (the "**Transaction Account**"). Payments to the Issuer by Ziraat Katılım under the Transaction Documents will be credited to the Transaction Account. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority described under Condition 6.3 (*Application of Proceeds from the Lease Certificate Assets*).

**Withholding Tax**

All payments in respect of the Certificates shall be made in U.S. dollars without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, or on account of, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within the Relevant Jurisdiction, unless the withholding or deduction is required by law. In that event, the Issuer shall, save in the limited circumstances provided in Condition 13 (*Taxation*), be required to pay such additional amounts as will result in the receipt by the Certificateholders of such amounts as would have been received by them, had no such withholding or deduction been required.

All payments by Ziraat Katılım (in any capacity) under the Transaction Documents to which it is a party shall be made in U.S. dollars without set-off or counterclaim of any kind and free

and clear of, and without any deduction or withholding for, any Taxes of whatever nature imposed, levied, collected, withheld or assessed by or within any Relevant Jurisdiction or any authority therein or thereof having power to tax, unless the withholding or deduction is required by law. In that event, Ziraat Katılım shall pay such additional amounts as will result in the receipt by the Issuer or the Representative (as applicable) of such amounts as would have been received by it had no such deduction or withholding been required.

**Certificateholder Meetings**

A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests as such is set out in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*).

**Transaction Documents**

The "**Transaction Documents**" are the Representative Agreement, the Agency Agreement, the Purchase Agreement, the Service Agency Agreement, the Sale and Substitution Undertaking, the Purchase Undertaking, any Sale Agreement and the Murabaha Agreement (including any documents, purchase orders and letters of offer and acceptance delivered or entered into as contemplated by the Murabaha Agreement).

**Governing Law and Jurisdiction**

Each Transaction Document (other than the Purchase Agreement and any Sale Agreement), and any non-contractual obligations arising out of or in connection with any such Transaction Document, shall be governed by, and construed in accordance with, English law. In respect of any dispute under the Transaction Documents (other than the Purchase Agreement and any Sale Agreement) to which it is a party, the Issuer and Ziraat Katılım have agreed to submit to the exclusive jurisdiction of the courts of England located in London subject to the right of the Representative to bring (i) any suit, action or proceedings (together referred to as "**Proceedings**") against the Issuer or Ziraat Katılım in any other court of competent jurisdiction and (ii) concurrent Proceedings in any number of jurisdictions.

The Purchase Agreement and each Sale Agreement will be governed by the laws of Türkiye, and will be subject to the exclusive jurisdiction of the Istanbul Central (Çağlayan) Courts and Execution Offices.

**Limited Recourse**

Each Certificate represents solely an undivided ownership interest in the Lease Certificate Assets. No payment of any amount whatsoever shall be made in respect of the Certificates except to the extent that funds for that purpose are available for the Lease Certificate Assets. See Condition 4.2 (*Limited Recourse*).

**Admission to Trading**

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the regulated market of Euronext Dublin with effect from the Closing Date.

The regulated market of Euronext Dublin is a regulated market for the purposes of EU MiFID II.

The total expenses related to the admission of the Certificates to trading are estimated to be €10,540.

**Ratings**

Upon issue, the Certificates are expected to be assigned ratings of B- by Fitch.

Ziraat Katılım has been assigned a long-term foreign currency rating of B- with a "stable outlook" by Fitch.

*A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.*

**Selling Restrictions**

There are restrictions on the distribution of this Prospectus and the offer or sale of Certificates in the United States, the EEA, the UK, Republic of Türkiye, the United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market), the Dubai International Financial Centre, the Abu Dhabi Global Market, Hong Kong, Japan, the Kingdom of Bahrain, the Sultanate of Oman, the Kingdom of Saudi Arabia, Malaysia, the State of Qatar (including the Qatar Financial Centre), Singapore and the State of Kuwait and such other restrictions as may be required in connection with the offering and sale of the Certificates (see "*Subscription and Sale*").

**Use of Proceeds**

The estimated net proceeds of the issue of the Certificates is U.S.\$499,980,000 (the "**Issue Proceeds**"). The Issue Proceeds will be applied by the Issuer pursuant to the terms of the relevant Transaction Documents on the Closing Date in the following proportion: (i) not less than 55 per cent. of the aggregate face amount of the Certificates towards the purchase from Ziraat Katılım of all of its rights, title, interests, benefits and entitlements in, to and under the Initial Assets pursuant to the Purchase Agreement; and (ii) the remaining portion of the Issue Proceeds (being not more than 45 per cent. of the aggregate face amount of the Certificates) towards the purchase of (x) (to the extent applicable) the Intangible Part (as defined below) of any Tangible Investment Sukuk comprising the Initial Assets Portfolio; and (y) the Commodities in connection with the Murabaha Contract to be subsequently sold to Ziraat Katılım pursuant to the Murabaha Agreement. The proceeds received by Ziraat Katılım in consideration for the transactions entered into with the Issuer as set out above (including the purchase price payable pursuant to the Purchase Agreement and the proceeds payable to Ziraat Katılım pursuant to the on-sale of commodities) will be applied by Ziraat Katılım for its general corporate purposes.

## RISK FACTORS

*The purchase of Certificates may involve substantial risks and is suitable only for sophisticated investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of an investment in the Certificates. Before making an investment decision, prospective purchasers of Certificates should consider carefully, in the light of their own financial circumstances and investment objectives, all of the information in this Prospectus.*

*If any of the risks described below actually materialise, the Issuer and Ziraat Katılım's business, results of operations, financial condition or prospects could be materially adversely affected. If that were to happen, the trading price of the Certificates could decline, and investors could lose all or part of their investment.*

*Each of the Issuer and Ziraat Katılım believes that the factors described below represent the principal risks inherent in investing in the Certificates and may affect Ziraat Katılım's ability to perform its obligations under the Transaction Documents. However, the inability of the Issuer to pay any amounts on or in connection with any Certificate and the inability of Ziraat Katılım to perform its obligations under the Transaction Documents may occur for other reasons and none of the Issuer or Ziraat Katılım represents that the statements below regarding the risks of holding any Certificate are exhaustive. There may also be other considerations, including some which may not be presently known to the Issuer or Ziraat Katılım or which the Issuer or Ziraat Katılım currently deems immaterial, that may impact any investment in the Certificates.*

*Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision. Words and expressions defined in "Terms and Conditions of the Certificates" shall have the same meanings in this section.*

### **Risk factors relating to the Issuer**

#### ***The Issuer has no material assets and will depend on receipt of payments from Ziraat Katılım to make payments to Certificateholders***

The Issuer is an entity formed under the laws of Türkiye on 22 January 2016 and has no operating history other than as described in "Description of the Issuer" and "The Issuer has previously issued lease Certificates". The Issuer will not engage in any business activity other than the issuance of lease certificates, the transfer of assets relating thereto (including the Sukuk Assets as described herein), the issuance of shares in its capital and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Issuer's only material assets in respect of the Certificates, which will be held on its own behalf and for the account of the Certificateholders, will be the Lease Certificate Assets and Investment Sukuk, the obligation of the Service Agent to make payments under the Service Agency Agreement and the obligation of Ziraat Katılım to make payments under the Murabaha Agreement, the Purchase Undertaking or, as the case may be, the Sale and Substitution Undertaking to the Issuer. Therefore, the Issuer is subject to all the risks to which Ziraat Katılım is subject to the extent that such risks could limit Ziraat Katılım's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents to which it is a party (see "Risks relating to Ziraat Katılım's Business" below for a further description of these risks).

The ability of the Issuer to pay amounts due on any Certificates will primarily be dependent upon receipt by the Issuer from Ziraat Katılım, of all amounts due under the Service Agency Agreement, the Murabaha Agreement, the Purchase Undertaking and the Sale and Substitution Undertaking, respectively, which, in the aggregate, may not be sufficient to meet all claims under the relevant Certificates and the Transaction Documents in the event that Ziraat Katılım does not fully perform its obligations thereunder (as applicable).

#### ***The Issuer has previously issued lease certificates***

Pursuant to the terms of the Lease Certificate Communiqué (Serial No. III/61.1 and published in the Official Gazette dated 7 June 2013 numbered 28670) applicable to asset leasing companies (the "**Sukuk Communiqué**"), asset leasing companies are permitted to undertake multiple issuances of certificates. The Sukuk Communiqué provides that asset leasing companies are required to identify separately the assets related to each issuance. Additionally, pursuant to the terms of Article 61(3) of the Capital Markets Law numbered 6362 ("**Capital Markets Law**"), Article 4(3) and Article 13(1) of the Sukuk Communiqué, each issuance remains segregated from the others until all non-defaulting issuances have been paid in full.

There have been no Turkish precedent decisions in relation to segregation of each issuance and accordingly there can be no assurances that the Turkish courts will treat each issuance by the Issuer as segregated from each other.

#### **Risk factors relating to Ziraat Katilim's business**

##### ***Ziraat Katilim's cash loan portfolio has increased in recent years, and this may require it to continue to develop more sophisticated monitoring systems to manage Ziraat Katilim's loan exposure***

Ziraat Katilim's net cash loan portfolio (which comprises loans, lease receivables and expected credit losses) has increased rapidly in recent years, growing to TRY 213,157.31 million (including finance lease receivables) as at 30 June 2023 from TRY 144,858.27 million as at 31 December 2022 and TRY 66,339.92 million as at 31 December 2021. The growth in Ziraat Katilim's net cash loan portfolio is attributable to an overall increase in Ziraat Katilim's financing activity. The participation banking sector's non-performing loans ("NPLs") was 1.14 per cent as at 30 June 2023 compared to 1.43 per cent. as at 31 December 2022 and 3.02 per cent. as at 31 December 2021.

As at 30 June 2023, Ziraat Katilim's ratio of NPLs to total cash loans was 0.92 per cent. compared to 1.73 per cent. as at 30 June 2022, 1.27 per cent. as at 31 December 2022 and 2.49 per cent. as at 31 December 2021. See "*Description of Ziraat Katilim*" for further information.

In common with all other Turkish banks, the growth rates recently experienced have required Ziraat Katilim to seek to attract and retain a significant number of qualified personnel to monitor asset quality (see "*Description of Ziraat Katilim — Management*" for further details). Ziraat Katilim's increased levels of financing may require Ziraat Katilim to make higher levels of provisioning for loan losses. Although Ziraat Katilim constantly seeks to revise and improve its financing procedures and asset quality analysis there can be no assurances that Ziraat Katilim will not experience lapses as a result of the growth and changing quality of its loan portfolio, which accordingly may have a material adverse effect on Ziraat Katilim's business, financial condition, prospects and results of operations. The retail/consumer and SME customer base is particularly sensitive to adverse developments in the Turkish economy which renders such financing activities riskier than financing to larger corporate customers.

##### ***Ziraat Katilim is subject to credit risk in relation to its borrowers and other counterparties***

Ziraat Katilim is subject to inherent risks concerning the credit quality of borrowers and other counterparties, which has affected and is expected to continue to affect the value of Ziraat Katilim's assets, particularly if economic conditions in Türkiye deteriorate.

Ziraat Katilim's core banking businesses have historically been, and are expected to continue to be, loans to corporate and SME (as defined by the BRSA) customers. The total volume of loans (including expected loss provisions and lease receivables) increased by 106.4 per cent. from TRY 103,293.5 million as at 30 June 2022 to TRY 213,157.3 million as at 30 June 2023. As at 30 June 2023, such loans constituted 69.7 per cent. of Ziraat Katilim's total assets (of TRY 305,818.1 million) with corporate and commercial loans contributing 65.46 per cent. and SME and retail loans contributing 34.54 per cent. By comparison, the total volume of loans (including expected loss provisions and lease receivables) increased by 118 per cent. from TRY 66,399.92 million in 2021 to TRY 144,858.27 million in 2022. As at 31 December 2022, such loans constituted 68.21 per cent. of Ziraat Katilim's total assets (of TRY 212,356.92 million) with corporate and commercial loans contributing 70.42 per cent. and SME and retail loans contributing 29.58 per cent. Many factors affect customers' ability to repay their loans or meet their other obligations to Ziraat Katilim. Some of these factors, including adverse changes in consumer confidence levels due to local, national and global factors, consumer spending, banking rates and increased market volatility, may be difficult to anticipate and are outside of Ziraat Katilim's control. Other factors are dependent upon Ziraat Katilim's strategy for loan growth (including sector focus) and the viability of Ziraat Katilim's internal loan application and monitoring systems, (see "*Ziraat Katilim's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks*"). All of the aforementioned risks could have an adverse impact on Ziraat Katilim's business, financial condition, results of operations and prospects.

Ziraat Katilim routinely executes transactions with counterparties in the financial services industry, including commercial banks, investment banks and other institutional clients, resulting in a significant loan concentration. As at 30 June 2023, Ziraat Katilim's cash loan risk to the first two counterparties in the financial services industry constituted 0.63 per cent. of its total cash loans to that industry. Given the high

level of interdependence between financial institutions within the financial services industry, Ziraat Katilim is, and will continue to be, subject to the risk of deterioration of the commercial and financial soundness, or perceived soundness, of financial services institutions. Within the financial services industry, the default of any one institution could lead to defaults by other institutions. The perceived lack of creditworthiness of, or questions about, a counterparty may lead to market-wide liquidity problems and losses or defaults by Ziraat Katilim or other institutions. Ziraat Katilim's credit risk would also be exacerbated if the collateral it holds cannot be realised at prices that are sufficient to recover the full amount of the loan or derivative exposure the collateral is intended to secure. As at 30 June 2023, 13.62 per cent. of Ziraat Katilim's financing are collateralised. In addition, a default by, or even concerns about the financial resilience of, one or more financial services institutions could lead to further significant systemic liquidity problems, or losses or defaults by other financial institutions, which could have an adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

In addition, financial service institutions that transact with each other are interrelated as a result of trading, investment, clearing, counterparty and other relationships. This risk is sometimes referred to as "systemic risk" and may adversely affect financial intermediaries, such as clearing agencies, clearing houses, banks, securities firms and exchanges with which Ziraat Katilim interacts on a daily basis. Ziraat Katilim routinely executes a high volume of transactions with numerous counterparties in the financial services industry, including brokers and dealers and commercial banks, resulting in significant credit concentration. As a result, Ziraat Katilim is exposed to counterparty risk and will continue to be exposed to the risk of loss if counterparty financial institutions fail or are otherwise unable to meet their obligations. Moreover, problems at certain financial institutions in Türkiye or in other countries could cause general market concerns over the health of financial institutions. Furthermore, these problems could lead to reduced access to liquidity and funding for financial institutions and/or decline in the value of their debt or equity instruments, possibly including the Certificates, such risk being sometimes referred to as "contagion effect". In addition, many of the hedging and other risk management strategies utilised by Ziraat Katilim also involve transaction counterparties that are financial institutions. The weakness of these counterparties may impair the effectiveness of Ziraat Katilim's hedging and other risk management strategies. The "systemic risk" has further been exacerbated by the recent collapse of a number of banks worldwide, such as Credit Suisse in Europe and Silicon Valley Bank and Signature Bank in the United States. All of these factors could have a material adverse effect on Ziraat Katilim's ability to raise new funds and have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Rapid growth of Ziraat Katilim's loan portfolio (including leasing receivables) might subject Ziraat Katilim to the risk of not being able to maintain asset quality***

Since 2010, loan volumes in Türkiye have been growing continuously, and this growth is supported by relatively low market penetration levels. Loan volumes in the banking sector grew by 54.7 per cent. in 2022, and reached TRY 7,576,512.74 million in total loans as at 31 December 2022 compared to 4,897,731.24 million as at 31 December 2021, according to the BRSA. In June 2023, the BRSA reported total loan in the volume sector as TRY 10,094,368 million. Ziraat Katilim's net cash loans amounted to TRY 213,157.31 million as at 30 June 2023 compared to TRY 144,858.27 million as at 31 December 2022 and TRY 66,399.92 million as at 31 December 2021. This reflects a net cash loan portfolio growth rate of 118 per cent. and 57 per cent., for the years ended 31 December 2022 and 31 December 2021, respectively. As at 31 December 2022, the sum of Ziraat Katilim's non-performing loans restructured or rescheduled for a new redemption plan and other receivables was TRY 167,624,000 (compared to TRY 157,499,000 as at 31 December 2021).

Ziraat Katilim's NPLs ((total NPL)/total cash loans, including finance lease receivables) as at 30 June 2023, 31 December 2022 and 31 December 2021 were 0.92 per cent., 1.27 per cent. and 2.49 per cent., respectively; however rapid growth in Ziraat Katilim's loan portfolio may lead to a deterioration in the quality of its assets and portfolio and an increase of NPLs levels in the future. The share of loans on Ziraat Katilim's watch list ("**Group 2 Loans**") was 1.60 per cent., 1.75 per cent. and 3.35 per cent., respectively, as at 30 June 2023, 31 December 2022 and 31 December 2021.

The significant and rapid increase in Ziraat Katilim's loan portfolio requires continued and improved monitoring by management of Ziraat Katilim's financing policies, asset quality and adequacy of provisioning levels through its risk management programme. Ziraat Katilim expects to further increase its loan portfolio in the future and any failure by Ziraat Katilim to manage loan book growth within prudent risk parameters, sufficiently control the asset quality of its customers or monitor and regulate the adequacy

of its provisioning levels, could have a material adverse effect on its business, financial condition, results of operations and prospects.

***Ziraat Katilim's retail/consumer and SME customer base is particularly sensitive to adverse developments in the Turkish economy, which renders such financing activities riskier than financing to larger corporate customers***

As at 30 June 2023, 35.54 per cent. of Ziraat Katilim's total loan portfolio consisted of retail loans and loans to SMEs, with retail loans accounting for 10.83 per cent. and loans to SMEs accounting for 24.71 per cent. Retail and SME customers typically have less financial strength than corporate borrowers and negative developments in the Turkish economy could affect retail and SME customers more significantly than corporate borrowers. All of Ziraat Katilim's loan portfolio is located in Türkiye. Furthermore, the availability of accurate and comprehensive financial information and general credit information on which to base credit decisions is more limited for SMEs than is the case for larger corporate customers. Therefore, notwithstanding the credit risk determination procedures that Ziraat Katilim has in place, Ziraat Katilim may be unable to evaluate correctly the current financial condition of each prospective SME or consumer borrower and to determine their long-term financial viability.

It is generally accepted that financing to SMEs and retail customers represents a relatively higher degree of risk than comparable financing to other groups, and there can be no guarantee that Ziraat Katilim's NPLs for SMEs and retail customers, or any of its other customers, will not materially increase in the near to medium term, particularly if there is a deterioration in macroeconomic conditions in Türkiye or if Ziraat Katilim is unable to accurately model the risk associated with the SME, retail customer or other borrowers to which it extends loans (see "Ziraat Katilim's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks").

***Security interests, collateral or loan guarantees provided in favour of Ziraat Katilim may be limited to cover losses in the event of defaults by debtors and may entail long and costly enforcement proceedings***

Ziraat Katilim may have difficulty foreclosing on collateral or enforcing guarantees or other third-party credit support arrangements when debtors default on their loans. While Ziraat Katilim seeks to mitigate credit risk (including through diversification of its assets and requiring collateral for its loans where applicable) as at 30 June 2023, Ziraat Katilim's collateralised financing is 13.62 per cent. of its total financing (compared to 12.44 per cent. as at 30 June 2022); such efforts may be insufficient to protect Ziraat Katilim against material loan losses. For example, if the value of the collateral security in respect of Ziraat Katilim's loan portfolio is insufficient (including through any decline in its value), Ziraat Katilim will be exposed to greater credit risk and an increased risk on non-recovery if related loan exposures fail to perform. In addition, the time and costs associated with enforcing security interests in Türkiye may make it uneconomical for Ziraat Katilim to pursue such proceedings, adversely affecting Ziraat Katilim's ability to recover its loan losses. Any decline in the value or liquidity of such collateral may prevent Ziraat Katilim from foreclosing on such collateral for its full value, or at all, in the event that a borrower becomes insolvent and enters bankruptcy and could thereby adversely affect Ziraat Katilim's ability to recover any loan losses, which would have a material adverse effect on Ziraat Katilim's business, financial condition, prospects and results of operations.

***Ziraat Katilim's loans and deposits portfolio are concentrated in Türkiye and adverse changes affecting the Turkish economy due to domestic and international factors could have a material adverse effect on its business, financial condition, results of operations and prospects***

Ziraat Katilim's loans are highly concentrated in Türkiye (almost 100 per cent. of cash loans as at 30 June 2023) and Ziraat Katilim's deposits are concentrated in Turkish Lira accounts (constituting 57.50 per cent. of total deposits as at 30 June 2023). Accordingly, Ziraat Katilim is particularly exposed to any future downturn in the economy of Türkiye or performance of the Turkish Lira.

In recent years, Türkiye's Gross Domestic Product ("GDP") growth rates have been volatile. In the first three months of 2020, GDP increased by 4.4 per cent. compared to the same period of the previous year; however, GDP sharply decreased by 10.3 per cent. in the second quarter of the year driven by the impact of the COVID-19 pandemic. GDP then returned to strong growth in the third and fourth quarters of 2020, which growth was supported by an increase in investments and household consumption benefitting from accommodative monetary policy and high credit growth. As a result, and notwithstanding the pandemic's continuing impact both on Türkiye and globally resulting from the precautions (such as curfews, travel

restrictions, factory closures and restrictions on public gatherings) taken to minimise the transmission of COVID-19, GDP increased by 1.9 per cent. during 2020. During 2021, GDP increased by 11.4 per cent., which growth was supported by the recovery in global economic activity, moderate credit expansion and a favourable base effect, whereas growth during 2022 was 5.6 per cent., due primarily to strong consumption and moderate investment and export performances. It should be noted that these GDP results are in inflation-adjusted Turkish Lira terms and, as the exchange rate of the Turkish Lira against the U.S. dollar varies (in some years, significantly), these reported changes in GDP would have been different (in some years, significantly) were they determined in U.S. dollar terms. The pre-election easing of credit conditions and further expansionary fiscal policies might have temporarily boosted economic activity in the first half of 2023, while some downward adjustments might happen after the elections. With the global evolution of the pandemic, there is the risk of the emergence of new virus variants, including those that spread more easily, show resilience against the available vaccines and treatments and/or cause higher rates of hospitalisation or death. In such circumstances, growth might be weak in the remainder of 2023 and thereafter, which could have a material adverse effect on Ziraat Katilim's business, results of operations and financial condition, including through a deterioration in the asset quality of Ziraat Katilim's loan portfolio and/or the increasing formation of NPLs (particularly for SMEs and in industries, such as tourism and retail, that have been disproportionately impacted by the precautions taken to minimise the transmission of COVID-19). Continuing high levels of unemployment may further affect Ziraat Katilim's customers, which could impair its business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

In addition, as an emerging market dependent upon external fund flows and international trade, Türkiye has been and will continue to be significantly impacted by a number of factors affecting international economic and geopolitical conditions.

These and other key factors, such as continuing geopolitical tensions in the region, could have a material adverse impact on international financial markets and economic conditions and, in turn, the market's anticipation of these impacts could have a material adverse effect on the Turkish economy and Ziraat Katilim's business, financial conditions and liquidity. In particular, these factors could disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets and adversely affect the cost and availability of funding. Also, Ziraat Katilim's performance will continue to be influenced by conditions in the global economy. The outlook for the global economy over the near to medium term may remain challenging, which may in turn impact prospects for stabilisation and improvement of economic and financial conditions in Türkiye. A lack of improvement, or deterioration in these conditions could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

Accordingly, continued volatility in the international financial markets, and any tightening in credit conditions could adversely impact Ziraat Katilim's business and operating results as a result of decreases in the business activity and deterioration of creditworthiness of companies and individuals, impairments on assets and/or collateral as well as increased levels of NPLs and amounts of loan impairment charges, increases in loan facilities costs and reduced, or no, access to capital markets due to unfavourable market conditions and increased competition for deposits leading to declines in Ziraat Katilim's net profit income, and decreases in fee and commission income due to a reduction in consumer demand for Ziraat Katilim's loan products or measures implemented by banking regulators.

If any of the above events occur, this could have a material adverse effect on Ziraat Katilim's business, results of operations, financial condition and prospects. Any macroeconomic factors that negatively impact Türkiye's economy or any adverse developments in Türkiye's wider political or geopolitical environment could impair Ziraat Katilim's business strategies and have a material adverse effect on its business, financial condition, results of operations and prospects.

Ziraat Katilim does not have a large portion of its total assets and liabilities concentrated in one customer segment. As at 30 June 2023, 45.14 per cent. of Ziraat Katilim's total credit risk exposure was to the manufacturing sector, 17.98 per cent. to the construction sector, 17.65 per cent. to the wholesale and retail commerce sector, and 7.3 per cent. to other sectors. However, adverse changes in any of these sectors could lead to deterioration in Ziraat Katilim's overall asset quality.

Ziraat Katilim has all of its operations and assets in Türkiye and accordingly its business may be affected by the financial, political, regulatory and general economic conditions prevailing from time to time in Türkiye and/or the European Union ("EU") generally.

### ***Ziraat Katilim's business entails operational risks***

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly, failure to obtain proper internal authorisations, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (for example, those of Ziraat Katilim's counterparties or vendors) or the occurrence of natural disasters, including earthquakes to which Türkiye is particularly susceptible. A significant portion of Türkiye's population and most of its economic resources are located in a first-degree earthquake risk zone (the zone with the highest level of risk of damage from earthquakes).

A number of Ziraat Katilim's properties and business operations in Türkiye are located in earthquake zones. Ziraat Katilim maintains earthquake insurance to minimise/recover losses arising from such disasters but does not have, in addition, wider business interruption insurance or insurance for loss of profit, as such insurance is not generally available in Türkiye. The occurrence of a severe earthquake could adversely affect one or more of Ziraat Katilim's facilities and could harm the Turkish economy in general, which could adversely affect Ziraat Katilim's business, financial condition and results of operations (see "*Description of Ziraat Katilim—Risk Management*" for a description of Ziraat Katilim's exposure to operational risks).

Although Ziraat Katilim has implemented risk control and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to be certain that such procedures and controls will be effective in controlling each of the operational risks of Ziraat Katilim. Given Ziraat Katilim's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, a number of banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult for any bank to detect quickly or at all. Any failure to effectively control such risks would have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***A significant portion of Ziraat Katilim's total assets comprises securities issued by the Turkish Government, and thus, in the event of a Turkish Government downgrade or default, there would be a direct negative impact on Ziraat Katilim in addition to a severe impact on the Turkish economy***

Ziraat Katilim, like other Turkish banks, has traditionally invested a significant portion of its assets in securities issued by the Turkish Government. As at 30 June 2023, 10 per cent. of Ziraat Katilim's total assets were invested in securities issued by the Turkish Government, compared to 12 per cent. and 10 per cent. as at 31 December 2022 and 2021, respectively.

In general, investing in Turkish Government securities (similar to investing in the securities of issuers that have operations primarily in emerging markets like Türkiye) involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. Therefore, Ziraat Katilim's investment in securities issued by the Turkish Government is subject to a high degree of volatility due to developments and perceptions of risks in other countries and there can be no assurance that Ziraat Katilim's investment in the Turkish Government's securities will not be negatively affected by events in other emerging markets or the global economy in general.

Türkiye's sovereign debt ratings have been subject to various downgrades recently and might be further downgraded. For example, on 14 June 2019, Türkiye's foreign currency long-term credit rating was downgraded to "B1" (with a negative outlook) from "Ba3" (with a negative outlook) by Moody's. On 12 July 2019, Fitch downgraded Türkiye's long-term foreign currency issuer default credit rating to "BB-" (with a negative outlook) from "BB" (with a negative outlook) and long-term local currency issuer default credit rating to "BB-" (with a negative outlook) from "BB+" (with a negative outlook). On 1 November 2019, Fitch revised the outlook of Türkiye from negative to stable, following up on 12 November 2019 with a similar outlook change on certain Turkish banks (including the Bank). On 21 February 2020, Fitch affirmed Türkiye's long-term foreign currency issuer default rating at "BB-" (with a stable outlook). On 21 August 2020, Fitch revised the outlook on Türkiye's long-term foreign currency issuer default rating from stable to negative. On 11 September 2020, Moody's further reduced Türkiye's foreign currency long-term credit rating to "B2" (with a negative outlook). On 19 February 2021, Fitch revised the outlook on Türkiye's long-term foreign currency issuer default credit rating from negative to stable; however, the outlook was returned to negative on 2 December 2021. On 3 December 2021, Moody's affirmed Türkiye's sovereign rating at "B2" (with a negative outlook). On 11 February 2022, Fitch downgraded Türkiye's long-term foreign currency issuer default credit rating to "B+" (with a negative outlook), which was followed on 8

July 2022 by a further downgrade to "B" (with a negative outlook). On 12 August 2022, Moody's downgraded Türkiye's sovereign rating to "B3" (with a stable outlook). On 8 September 2023, Fitch affirmed Türkiye's long-term foreign currency issuer default rating at "B" (with a stable outlook).

Ziraat Katilim calculates its capital adequacy ratio according to the Regulation on the Measurement and Evaluation of the Capital Adequacy Regulation of Banks published in the Official Gazette No. 29511 dated 23 October 2015 (the "**Capital Adequacy Regulation**") published by the BRSA, which allows Ziraat Katilim to use credit ratings to calculate the risk-weighted assets for capital adequacy purposes. These downgrades to sub-investment grade had a negative effect on the capital adequacy ratio of the banking sector and may cause further capital erosion for the banking industry if the Turkish Lira were to face further depreciation pressures or Turkish Lira bonds were to suffer a significant sell-off, negatively affecting bond prices.

In addition to any direct losses that Ziraat Katilim might incur, a default by the Turkish Government in making payments on its treasury bills and other securities would have a significant negative impact on the Turkish economy and the Turkish banking system generally and thus would have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Ziraat Katilim's business, financial condition and results of operation may be affected by liquidity risks***

Liquidity risk comprises uncertainties in relation to Ziraat Katilim's ability, under adverse conditions, to access funding necessary to cover obligations to customers, meet the maturity of liabilities and to satisfy capital requirements. It includes both the risk of unexpected increases in the cost of financing and the risk of not being able to structure the maturity dates of Ziraat Katilim's liabilities reasonably in line with its assets, as well as the risk of not being able to meet payment obligations on time at a reasonable price due to liquidity pressures. Ziraat Katilim's inability to meet its net funding requirements due to inadequate liquidity could have a material adverse effect on its business, financial condition, results of operations and prospects.

As is the normal practice in the banking industry, Ziraat Katilim accepts deposits from its customers and from banks which are short-term in nature (according to Ziraat Katilim's financial statements prepared in accordance with BRSA principles, of its TRY 174,330.12 million in customer deposits as at 30 June 2023, 68 per cent. had contractual maturities of less than three months, and of its TRY 107,655.19 million in customer deposits as at 31 December 2022, 62 per cent. had contractual maturities of less than three months). However, it is also normal in the banking industry for these short-term deposits to be rolled over on their maturity. Ziraat Katilim cannot be certain that its customers will continue to roll over or maintain their deposits with them. By contrast, Ziraat Katilim's loans have more diversified maturities (according to Ziraat Katilim's financial statements prepared in accordance with BRSA principles of its TRY 213,157.31 million in customer cash loans as at 30 June 2023, 23.38 per cent. had contractual maturities of less than three months, and of its TRY 144,858.27 million in customer cash loans as at 31 December 2022, 23.51 per cent. had contractual maturities of less than three months) (see "*Description of Ziraat Katilim's Risk Management – Liquidity Risk*" for a description of Ziraat Katilim's exposure to liquidity risks). Accordingly, there is a risk that if a significant number of Ziraat Katilim's customers do not choose to roll over their deposits at any time Ziraat Katilim could experience difficulties in repaying those deposits. In addition, Ziraat Katilim only has limited *Shari'a* compliant products that could be used for short-term liquidity management.

There can be no assurances that depositors will not withdraw their funds at a rate faster than the rate at which borrowers repay. As at 30 June 2023, Ziraat Katilim's Turkish Lira loan to deposit ratio was 94 per cent. and the foreign currency loan to deposit ratio was 71 per cent. If deposit growth does not keep pace with loan and asset growth, or if a substantial portion of Ziraat Katilim's depositors withdraw their demand deposits or do not roll over their time deposits upon maturity, or if Ziraat Katilim fails to refinance some of its large short- to medium-term credit facilities, Ziraat Katilim may need to access more expensive sources of financing to meet its funding requirements, including wholesale funding. No assurances can be given that Ziraat Katilim will be able to obtain additional funding on commercially reasonable terms as and when required, or at all. An inability on Ziraat Katilim's part to access funds or to access the markets from which it raises funds may put Ziraat Katilim's positions in liquid assets at risk and lead Ziraat Katilim to be unable to finance its operations and growth plans adequately. Ziraat Katilim may be unable to secure funding in the international capital markets if conditions in these markets, or its credit ratings, were to deteriorate.

A rising interest rate environment could compound the risk of Ziraat Katilim not being able to access funds at favourable rates and may also result in higher funding costs for Ziraat Katilim. These and other factors could lead creditors to form a negative view of Ziraat Katilim's liquidity, which could result in less favourable credit ratings, higher loan facilities costs and less accessible funds. In addition, Ziraat Katilim's ability to raise or access funds may be impaired by factors that are not specific to its operations, such as general market conditions and severe disruption of the financial markets. While Ziraat Katilim aims to maintain at any given time an adequate level of liquidity reserves, strains on liquidity caused by any of these factors or otherwise could adversely affect Ziraat Katilim's business, financial condition, results of operations and prospects.

There can be no assurances that Ziraat Katilim will not experience liquidity issues in the future. In the event that Ziraat Katilim experiences liquidity issues, market disruptions and credit downgrades may cause certain sources of funding to become unavailable. Ziraat Katilim's inability to refinance or replace deposits and devalued assets with alternative funding available on commercially reasonable terms, if at all, could result in the failure of Ziraat Katilim to service its debt, fulfil loan commitments or meet other on- or off-balance sheet payment obligations on specific dates, which could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

To address these risks, Ziraat Katilim monitors its liquidity position on a daily basis and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. It also holds liquid assets at prudent levels to maintain liquidity, even under adverse conditions. However, assets held for sale may not be able to be sold due to adverse market conditions. Accordingly, there is no assurance that Ziraat Katilim will not experience significant liquidity constraints in the future and any such constraints could have an adverse effect on Ziraat Katilim's financial position and it may be required to seek funding from more expensive sources, which in turn could have a material adverse effect on its business, financial condition, results of operations, cash flows and prospects.

***Ziraat Katilim may have difficulty raising capital on reasonable terms***

By regulation, Ziraat Katilim is required to maintain certain capital levels and capital adequacy ratios in connection with its banking business, which depend in part upon the level of Ziraat Katilim's risk-weighted assets. Basel II took effect in Türkiye on 1 July 2012. In 2013, the BRSA announced its intention to adopt the Basel III requirements and, since such date, the BRSA has issued regulations that accordingly align with the Basel III requirements. Basel III regulations mainly include requirements regarding regulatory capital, liquidity adequacy, leverage ratio and counterparty credit risk measurements. The BRSA issued regulations for the implementation of capital standards and leverage ratio which came into force on 1 January 2014 and a regulation for the implementation of liquidity coverage ratio which was issued on 21 March 2014 and came into force as of 1 January 2014 (with the exception of certain provisions relating to minimum coverage ratio levels and the consequences of failing to maintain compliance, which entered into effect on 1 January 2015). As at 30 June 2023, Ziraat Katilim's total regulatory capital to risk weighted assets ratio calculated in accordance with Basel III rules, prepared on a consolidated basis in accordance with BRSA principles, was 14.57 per cent. and its liquidity coverage ratio was 132.9 per cent. By comparison, as at 31 December 2022, Ziraat Katilim's total regulatory capital to risk weighted assets ratio calculated in accordance with Basel III rules, prepared on a consolidated basis in accordance with BRSA principles, was 15.57 per cent. and its liquidity coverage ratio was 133.9 per cent. The minimum capital adequacy ratio required by the BRSA is 8 per cent.

As at 30 June 2023, the leverage ratio of Ziraat Katilim calculated from the average of three months is 5.19 per cent. (compared to 5.39 per cent. as at 31 December 2022 and 4.25 per cent. as at 31 December 2021). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as three per cent..

Any other potential changes relating to Basel III or any other capital adequacy related revisions may impact the manner in which Ziraat Katilim calculates its capital ratios and may even impose higher capital requirements, which may need Ziraat Katilim to raise additional capital in the future to ensure that it has sufficient capital reserves, which, in turn, could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

Additionally, it is possible that Ziraat Katilim's capital levels could decline due to, among other things, loan losses, increased loan reserves, currency fluctuations or dividend payments. In addition, Ziraat Katilim may need to raise additional capital in the future to ensure that it has sufficient capital to support future growth in its assets, especially in light of Ziraat Katilim's strategy to migrate from investments in its securities portfolio to a loan book, which may put pressure on Ziraat Katilim's capitalisation in the future. Should Ziraat Katilim wish or be required to raise additional capital, it may not be in a position to do so at all or at prices that Ziraat Katilim considers to be reasonable. If any or all of these risks materialise, then this could have a material adverse effect on Ziraat Katilim's liquidity, business, financial condition, results of operations and prospects.

***Market risks arising from the indirect effect of currency exchange rates, interest rates and fluctuations in the prices of financial products***

The most significant market risks to which Ziraat Katilim is exposed are currency exchange rate risk, interest rate risk and fluctuations in the prices of financial products. Ziraat Katilim is also exposed to profit rate risk as a result of mismatches or gaps in the amounts of assets and liabilities and off-balance sheet instruments that mature or re-price in a given period. Although Ziraat Katilim sets limits and performs certain other measures aimed at reducing these risks, such as hedging against these risks and use of derivative instruments, no assurance can be given that these measures will be effectively implemented or that they will allow Ziraat Katilim to minimise the impact of currency exchange rate and interest rate volatility (see "*Description of Ziraat Katilim—Risk Management*" for further details). If Ziraat Katilim's risk management procedures and limits do not minimise the impact of market risks on Ziraat Katilim, its business, financial condition and results of operations may be adversely affected. Ziraat Katilim maintains an investment policy for any funds it holds. Significant reductions in the value of the assets in which it invests could give rise to a loss and materially adversely affect Ziraat Katilim's business, financial position and results of operations.

***Ziraat Katilim is exposed to foreign exchange and currency risks***

Ziraat Katilim maintains its books of account and prepares its statutory financial statements in Turkish Lira in accordance with the accounting practices as promulgated by the BRSA. As at 30 June 2023, 43.77 per cent. of Ziraat Katilim's assets and 43.39 per cent. of its liabilities are denominated in foreign currencies and in particular the U.S. dollar and the Euro (compared to 41.64 per cent. of Ziraat Katilim's assets and 39.45 per cent. of its liabilities being denominated in foreign currencies as at 31 December 2022). In preparing its financial statements, Ziraat Katilim translates such assets and liabilities, as well as the profit earned or paid on such assets and liabilities and gains or losses realised upon the sale of such assets, to Turkish Lira. As a result, and in common with all banks dealing with foreign currencies, Ziraat Katilim's capital adequacy ratios, its reported income and its assets and liabilities are affected by changes in the value of the Turkish Lira with respect to foreign currencies. Accordingly, the overall effect of exchange rate movements on Ziraat Katilim's results of operations depends on the rate of depreciation or appreciation of the Turkish Lira against the foreign currencies in which any of its assets and liabilities are denominated. Significant fluctuations in the value of the Turkish Lira against foreign currencies, in particular the U.S. dollar and the Euro, could have a material adverse effect on Ziraat Katilim's business, financial condition and results of operations.

In addition, Ziraat Katilim is exposed to exchange rate risk to the extent that its assets and liabilities are mismatched. Ziraat Katilim seeks to manage the gap between its foreign currency-denominated assets and liabilities by (among other things) matching the volumes and maturities of its foreign currency-denominated loans against its foreign currency-denominated funding or by entering into currency hedges. Although regulatory limits prohibit Ziraat Katilim from having a net currency short or long position of greater than 20 per cent. of the total capital used in the calculation of its regulatory capital adequacy ratios, if Ziraat Katilim is unable to manage the gap between its foreign currency-denominated assets and liabilities, then material volatility in exchange rates could lead to operating losses, which could have a material adverse effect on Ziraat Katilim's business, financial condition and results of operations.

Ziraat Katilim is exposed to the effects of fluctuation in foreign currency exchange rates, which can have a material impact on its business, financial condition (including capitalisation) and/or results of operations. These risks are both systemic (e.g., the impact of exchange rate volatility on the markets generally, including on Ziraat Katilim's borrowers) and specific to Ziraat Katilim's (e.g., due to Ziraat Katilim's own net currency positions). If the Turkish Lira depreciates, then (when translated into Turkish Lira) Ziraat Katilim would incur currency translation losses on its liabilities denominated in (or indexed to) foreign

currencies (such as Ziraat Katilim's U.S. dollar denominated long-term loans and other debt) and would experience currency translation gains on its assets denominated in (or indexed to) foreign currencies. Furthermore, a significant depreciation of the Turkish Lira might affect Ziraat Katilim's ability to attract customers on such terms or to charge rates indexed to foreign currencies. As a reference, using daily average exchange rates, the Turkish Lira depreciated against the U.S. dollar by 19.89 per cent. in 2020, 44.37 per cent. in 2021 and 28.71 per cent. in 2022 (27.58 per cent. in 2023 through 30 June 2023, in part due to post-election expectations that the Central Bank of the Republic of Türkiye (the "**Turkish Central Bank**" or the "**Central Bank**") would reduce its level of intervention to support the value of the Turkish Lira). The overall effect of exchange rate movements on Ziraat Katilim's financial condition and results of operations depends upon the rate of depreciation or appreciation of the Turkish Lira against its principal trading and financing currencies.

Although Ziraat Katilim has adopted procedures and policies aimed at minimising this risk (see "*Risk Management—Market Risk*" for further information), these measures might not adequately protect Ziraat Katilim's business, financial condition and results of operations from the effects of exchange rate fluctuations or may limit any benefit that Ziraat Katilim might otherwise receive from favourable movements in exchange rates.

***The growth of Ziraat Katilim's business is dependent on the continued development of the participation banking industry in Türkiye***

Although the participation banking industry has an established, loyal customer base in Türkiye, participation banking is a relatively new and growing area in the Turkish banking sector. According to the Participation Banks Association of Türkiye (the "**PBAT**"), as at December 2022, participation banks had a total of 1,379 branches and 17,868 personnel, with a 12.5 per cent. increase in the number of branches and an 8.7 per cent. increase in the number of personnel since December 2021. As at 30 June 2023, participation banks have a market share of approximately 8.5 per cent. (compared to 8.3 per cent. as at 31 December 2022 and 7.8 per cent. as at 31 December 2021) of the Turkish banking sector in terms of asset size. The total assets of participation banks, according to the PBAT of Türkiye, has grown from TRY 96,075 million in 2013 to TRY 1,187,615 million in 2022. In the third quarter of 2020, Ziraat Katilim had a market share, by asset size, of approximately 13 per cent. among the six Turkish participation banks. There can be no assurances that customer perception in relation to participation banking will not change as a result of events and factors affecting the socio-political environment in Türkiye or that the market share of participation banks will continue to grow.

***The implementation of Ziraat Katilim's growth strategy could adversely affect its asset quality, profitability and capital ratios***

Ziraat Katilim is currently engaged in a program of expansion of its core business areas, (see "*Description of Ziraat Katilim—Strategy*"). Ziraat Katilim intends to open a number of additional branches throughout Türkiye where growth opportunities exist in order to attract more retail, SME and commercial customers as well as increase Ziraat Katilim's retail deposit base. There are risks associated with expansion, including encountering greater-than-anticipated costs of opening new branches, being unable to profitably deploy assets acquired or developed through expansion and being unable to integrate such assets into Ziraat Katilim's risk management systems. Ziraat Katilim may also experience pressure on its margins as it implements its growth strategy because of the time lag between the increased operating costs incurred in connection with such expansion and any increase in revenues, if any, generated from such expansion. Any failure to manage this growth while at the same time ensuring that Ziraat Katilim maintains adequate focus on existing operations, including risk management systems and internal control processes, could have an adverse effect on its asset quality, profitability and capital ratios, and in turn, have an adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Ziraat Katilim's capital base may limit its potential for growth***

The opening of new branches is central aspect of Ziraat Katilim's overall strategy. The BRSA does not allow a bank to continue to expand if that bank's capital adequacy ratio is below 12 per cent. While Ziraat Katilim's capital adequacy ratio as at 30 June 2023 is 14.57 per cent (compared to 15.57 per cent. as at 31 December 2022 and 14.02 per cent. as at 31 December 2021) is sufficient to support existing operations (see "*Description of Ziraat Katilim's—Prudent Risk Management Policy*"), there can be no assurance that it will continue to be sufficient to support its growth strategy without additional capital raising or increased retained earnings. Ziraat Katilim may need to raise additional capital in the future to ensure that it has

sufficient capital to support its future growth. Should Ziraat Katilim desire or be required to raise additional capital, such capital may not be available at all or at a price that Ziraat Katilim considers to be reasonable. Any such inability to acquire additional capital or increase retained earnings could have an adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Ziraat Katilim's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks***

Ziraat Katilim's risk management strategies and internal control capabilities may leave it exposed to unidentified or unanticipated risks. Ziraat Katilim's risk management and internal control policies and procedures might not adequately control or protect Ziraat Katilim against all credit, liquidity, market and other risks. In addition, certain risks may not be accurately quantified or evaluated by Ziraat Katilim's risk management systems. Some of Ziraat Katilim's methods of managing risk are based upon the use of historical market data, which, as evidenced by events caused by the global financial crisis, may not always accurately predict future risk exposures, which could be significantly greater than historical measures indicate. Ziraat Katilim continues to maintain and develop its risk management systems, both to meet Ziraat Katilim's on-going internal risk management needs and to comply with all legal and regulatory requirements in the banking sector, including the Basel II and III criteria (as defined elsewhere in this prospectus) and the BRSA regulations.

Other risk management practices, including "know your client" ("KYC") practices, depend upon evaluation of information regarding the markets in which Ziraat Katilim operates, its customers, other matters that are publicly available or information otherwise accessible to Ziraat Katilim. As such practices are less developed in Türkiye than they are in non-emerging markets, and may not have been consistently and thoroughly implemented in the past, this information may not be accurate, complete, up-to-date or properly evaluated in all cases.

Ziraat Katilim cannot give assurances that all of its staff have adhered, or will adhere, to its policies and procedures. Ziraat Katilim is susceptible to, amongst other things, failure of internal processes or systems, unauthorised transactions by employees and operational errors, including clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems, and fraud by employees or outsiders (see "Description of Ziraat Katilim—Risk Management" for a description of Ziraat Katilim's exposure to operational risks). Ziraat Katilim's risk management and internal control capabilities are also limited by the information tools and technologies available to it.

Any material deficiency in Ziraat Katilim's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn adversely affect Ziraat Katilim's business, financial condition, results of operations and prospects.

***A failure or interruption in or breach of Ziraat Katilim's information systems, and any failure to update such systems, may result in loss of business and other losses***

Ziraat Katilim is increasingly dependent on information technology systems to conduct its business. Any failure, interruption or breach in securities of these systems could result in failures or interruptions in Ziraat Katilim's risk management, general ledger, account servicing or credit organisation systems. Although Ziraat Katilim has developed back-up systems and may continue some of its operations through branches in case of emergency, if Ziraat Katilim's information systems fail, Ziraat Katilim could be unable to serve some customers' needs on a timely basis and could thus lose their business or experience negative publicity. Likewise, a temporary shutdown of Ziraat Katilim's information technology systems could result in significant costs being incurred in connection with information retrieval and verification.

In the event of a disaster, natural or otherwise, whereby Ziraat Katilim cannot operate its technology infrastructure, Ziraat Katilim has a contract with Ziraat Technology to provide a recovery solution for Ziraat Katilim's critical systems at a centre located in Ankara. However, the recovery systems might not be adequate to ensure connectivity with Ziraat Katilim's branches and protect Ziraat Katilim's information technology systems and operations in such an event. Therefore, there can be no assurances that such failures or interruptions will not occur or that Ziraat Katilim will be able to address them in a timely manner if they occur. Accordingly, the occurrence of any failure, interruption or breach of Ziraat Katilim's information systems could have a material adverse effect on its business, financial condition and results of operations.

Ziraat Katilim's expansion plans also depend to a large extent upon its ability to expand its information technology capacity. Failure to put in place information technology systems to support its expansion could materially adversely affect Ziraat Katilim's growth strategy.

Any failure, interruption or breach in security of Ziraat Katilim's IT systems (including as a result of any cyberattacks, phishing, ransomware or other malicious acts) might result in failures or interruptions in Ziraat Katilim's risk management, general ledger, deposit servicing, loan organisation and/or other important operations. Although the Group has developed back-up systems and a fully-equipped disaster recovery centre, and might continue some of its operations through the Bank's branches in case of emergency, if Ziraat Katilim's IT systems failed, even for a short period of time, then it might be unable to serve some or all of its customers' needs on a timely basis and thus might lose business. Likewise, a temporary shutdown of Ziraat Katilim's IT systems might result in costs that are required for information retrieval and verification.

In addition, Ziraat Katilim's failure to update and develop its existing IT systems as effectively as its competitors might result in a loss of the competitive advantages that Ziraat Katilim believes its IT systems provide. Such failures or interruptions might occur and/or Ziraat Katilim might not adequately address them if they do occur. A disruption (even short-term) to the functionality of Ziraat Katilim's IT systems, delays or other problems in increasing the capacity of Ziraat Katilim's IT systems or increased costs associated with such systems might have a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations.

***Ziraat Katilim may not be able to fully comply with anti-money laundering regulations, which could result in criminal and regulatory fines and reputational damage***

Although Ziraat Katilim has implemented comprehensive anti-money laundering ("AML") and KYC policies and procedures and seeks to adhere to all requirements under Turkish legislation aimed at preventing Ziraat Katilim from being used as a vehicle for money laundering, there can be no assurances that these policies and procedures will be completely effective. Moreover, to a certain extent Ziraat Katilim must rely upon correspondent banks to maintain and properly apply their own appropriate AML and KYC policies and procedures. If Ziraat Katilim in the future fails to comply with timely reporting requirements or other AML or KYC regulations, or is associated with money laundering or terrorist financing, its reputation, business, financial condition, results of operations or prospects could be adversely affected. In addition, involvement in such activities may carry criminal or regulatory fines and sanctions.

In October 2014, the Organisation for Economic Co-operation and Development (the "OECD") Working Group on Bribery adopted the Phase 3 Report on Implementing the OECD Anti-Bribery Convention. In this report, the OECD Working Group expressed concerns about Türkiye's low level of anti-bribery enforcement and recommended that Türkiye improve its efforts to proactively detect, investigate and prosecute allegations of foreign bribery. The OECD Working Group also expressed concern regarding certain deficiencies in Türkiye's corporate liability legislation and enforcement against legal persons and made several recommendations to address these concerns. In addition, on 21 October 2021, the Financial Action Task Force (the "FATF") placed Türkiye on the so-called "grey list" of countries in need of elevated supervision of its legal framework for combatting terrorism and money laundering. The FATF cited concerns about inadequate supervision of Türkiye's banking and real estate sectors and dealers in gold and precious stones, including having undertaken insufficient prosecutorial efforts against violators (including freezing of assets). Subsequently, to reflect Türkiye's progress, the FATF re-rated the country on 30 November 2021 on some recommendations and changed the rating of four recommendations from partially compliant to largely compliant. On 10 May 2022, the FATF re-rated the country and changed the rating of one recommendation from partially compliant to compliant and two recommendations from partially compliant to largely compliant. These concerns might negatively impact investors' willingness to invest in Türkiye and/or engage with Turkish banks and changes in Turkish laws and practices might arise from these recommendations, both of which might have a material effect on Ziraat Katilim's business, financial condition and/or results of operations.

***Ziraat Katilim faces significant competition in the Turkish banking sector, which may result in reduced margins and volume growth***

Although Ziraat Katilim is a participation bank dealing in financial products that differ in many ways from the products of conventional banks, it faces significant competition from not only other participation banks, but also from conventional banks in the Turkish banking sector. As at 30 June 2023, there were a total of

58 banks (excluding the Central Bank) licensed to operate in Türkiye, six of which were participation banks. A small number of banks in the Turkish banking sector dominate the market. As at 31 March 2023 (according to the Banks Association of Türkiye), the top seven banking groups in Türkiye, three of which were state-controlled, held 72.5 per cent. of the Turkish banking sector's total loan portfolio in Türkiye, 71.5 per cent. of the total bank assets in Türkiye and 76.3 per cent. of the total deposits in Türkiye (in each case, excluding participation banks and development and investment banks). The Turkish banking industry is highly competitive and relatively concentrated with the top 10 deposit-taking banks accounting for 93.0 per cent. of total assets of deposit-taking banks as at 31 December 2022 according to data from the BRSA. Among the top 10 Turkish banks, there are three state-controlled banks (including the Bank, Vakıfbank and Halkbank), which were ranked first, second and fourth, respectively, in terms of total assets as of such date according to the bank-only financials published in the Public Disclosure Platform ([www.kap.gov.tr](http://www.kap.gov.tr)). The three state-controlled banks accounted for 45.0 per cent. of deposit-taking Turkish banks' performing loans and 45.3 per cent. of customer deposits as of such date according to the BRSA.

The intense competition may increase the pressure for Ziraat Katilim to expand the range and sophistication of its products and services currently offered which may lead to Ziraat Katilim reducing its net profit margins and could otherwise have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects. Increased pricing competition in the Turkish banking sector through the offer of products at significantly lower prices may also impact customer behavioural patterns and loyalty. Any failure to maintain customer loyalty or to offer customers a wide range of high quality, competitive products with consistently high levels of service could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

In addition, there has been a decline in the number of banks operating in Türkiye due to the significant consolidation in the Turkish banking industry in the early to mid-2000s, the takeovers of many failed banks by the Savings Deposit Insurance Fund ("SDİF") and the stricter requirements set by the BRSA on capital adequacy, provisioning, maximum single counterparty exposure, accounting, information disclosure and foreign exchange positions. In April 2015, the BRSA approved the purchase by the Industrial and Commercial Bank of China Limited of a 75.50 per cent. stake in Tekstil Bank A.Ş. and the business name of this bank was amended to ICBC Türkiye Bank A.Ş. as of 19 November 2015. In June 2016, Qatar National Bank purchased 99.8 per cent. stake in Finansbank. In March 2017, Banco Bilbao Vizcaya Argentaria ("BBVA") acquired 9.95 per cent. of the total issued share capital of Türkiye Garanti Bankası, A.Ş., increasing BBVA's total stake in Garanti Bank to 49.85 per cent.. In December 2017, the BRSA decided to provide the Bank of China Türkiye A.Ş. an operating licence in Türkiye. The entry of foreign owned banks into the sector, either directly or in collaboration with existing Turkish banks, may further increase the already significant competition in the market.

Ziraat Katilim's increased exposure to intense competition in each of its key areas of operation may, among other things, limit the Bank's ability to increase its customer base and expand its operations, reduce its asset growth rate and profit margins on services it provides and increase competition for investment opportunities. There can be no assurances, therefore, that the continuation of existing levels of competition or increased competition will not have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Although Ziraat Katilim has been adapting to the changing conditions based on competition to limit effects on its operations, this increased competition may have a negative impact on the margins Ziraat Katilim can charge for its products. There can be no assurances that further competition pressures will not result in margin compression, which could have a material adverse effect on Ziraat Katilim's business, financial condition and results of operations.

***Volatility in interest rates may adversely affect Ziraat Katilim's net income attributable to margins and have other adverse consequences***

As a participation bank, Ziraat Katilim is an interest-free financial institution and its customers' participation and accounts are paid a return or suffer losses based on the performance of its loan portfolio rather than being paid a rate of interest. For such participation accounts, however, the maximum loss Ziraat Katilim's customers can suffer is limited to the nominal amount of their initial investment. Accordingly, interest rate related risk has no direct effect on Ziraat Katilim's business. However, changes in market interest rates still affect Ziraat Katilim indirectly because many of the same economic factors which have an effect on interest rates may also have a similar effect on the determination of Ziraat Katilim's margins.

If interest rates rise and the demand for Ziraat Katilim's financings or its ability to generate new financings are reduced, Ziraat Katilim's business may be negatively affected. If interest rates fall, causing an increase in prepayments on Ziraat Katilim's loans or competition for deposits, Ziraat Katilim's income from these sources may decrease. Interest rates are highly sensitive to many factors beyond Ziraat Katilim's control, including monetary policies and domestic and international economic and political conditions. However, a rise or fall in interest rates could have a material adverse effect on Ziraat Katilim's business, financial condition and results of operations.

***Ziraat Katilim's business and growth prospects may be disrupted if it loses the services of certain key personnel or if it is not able to identify and employ expert personnel***

Ziraat Katilim is dependent upon its senior management to implement its strategy and operate its day-to-day business. In addition, corporate, retail and other relationships of members of senior management are important to the conduct of Ziraat Katilim's business. In a rapidly emerging and developing market such as Türkiye, demand for highly trained and skilled staff is very high and requires Ziraat Katilim to re-assess its compensation and employment policies continually. If members of Ziraat Katilim's senior management were to leave, particularly if they were to join competitors, then those employees' relationships that have benefited Ziraat Katilim may not continue. In addition, Ziraat Katilim is not insured against the effects to its business that may result from the loss or dismissal of its key personnel and Ziraat Katilim's continuing success depends, in part, on its ability to attract, retain and motivate qualified and experienced banking and management personnel. Ziraat Katilim's failure to recruit and retain necessary personnel or manage its personnel successfully could have a material adverse effect on Ziraat Katilim's business, financial condition and results of operations.

Ziraat Katilim is exposed to the risk of labour disputes and work stoppages. There are members of labour unions amongst Ziraat Katilim's employees as at the date of this Prospectus. Ziraat Katilim has not experienced any work stoppages or labour disputes in the past, however, there can be no assurance that work stoppages or labour disputes will not occur in the future. Any such action could disrupt operations, possibly for a significant period of time, result in increased wages and benefits or otherwise have an adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Ziraat Katilim's non-deposit obligations are not guaranteed by the Turkish or any other government and there may not be any governmental support in the event of illiquidity or insolvency***

The non-deposit obligations of Ziraat Katilim are not guaranteed or otherwise supported by the Turkish or any other government. While rating agencies and others have occasionally included in their analysis of certain banks a view that systemically important banks would likely be supported by the banks' home governments in times of illiquidity and/or insolvency (examples of which sovereign support have been seen, and strained, in other countries during the global financial crisis), investors in the Certificates should not place any reliance on the possibility of Ziraat Katilim being supported by any governmental entity at any time, including to provide liquidity or help to maintain Ziraat Katilim's operations during periods of material market volatility. (see "*Turkish Regulatory Environment*" for information on the limited government support available for Ziraat Katilim's deposit obligations).

***Ziraat Katilim maintains a reputation as a pre-eminent participation bank, and any failure to adhere to the principles of participation banking may result in loss of reputation. Investors' perceptions in relation to the participation banking model may also change***

As Ziraat Katilim operates and conducts its business pursuant to the principles of a participation bank, and in line with the principles of *Shari'a*, Ziraat Katilim's *Shari'a* advisors ensure that the respective entities adhere to the principles of *Shari'a* at all times. However, any failure to comply with the principles of participation banking or *Shari'a* may adversely affect Ziraat Katilim's reputation which may, in turn, damage its ability to attract and retain customers and, consequently, have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

Any adverse change in investor perception in relation to the participation banking model (whereby depositors participate in pools of financings made by Ziraat Katilim to customers and their deposits are subject to the credit risks of financings included in such pools) may also have an adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Ziraat Katilim's credit ratings may not reflect all risks, and changes to Türkiye's credit ratings may affect Ziraat Katilim's ability to obtain funding***

Credit ratings affect the cost and other terms on which Ziraat Katilim is able to obtain funding. Rating agencies regularly evaluate Ziraat Katilim and their ratings of its long-term debt are based on a number of factors, including its financial strength as well as conditions affecting the financial services industry generally. As at 30 June 2023, Ziraat Katilim's long-term foreign currency rating was "B-" from Fitch Ratings. One or more independent credit rating agencies may also assign credit ratings to the Certificates. Any ratings of either Ziraat Katilim or the Certificates may not reflect the potential impact of all risks related to the Certificates, the global financial market and the Turkish banking sector.

In light of the difficulties in the financial markets, there can also be no assurance that the rating agencies will maintain Ziraat Katilim's current ratings or outlooks, which could materially adversely affect the trading values of the Certificates, Ziraat Katilim's ability to finance its operations and the expected expansion of its business going forward, any of which could materially adversely affect Ziraat Katilim's business, financial conditions, results of operations and prospects.

In particular, Türkiye's credit ratings have been downgraded by each of the three principal rating agencies and are below investment-grade status for each of these rating agencies, which has led to downgrades generally to the Turkish banking sector, including Ziraat Katilim. Any such and any further downgrade placing on rating watch negative or potential downgrade, of the Turkish sovereign rating could negatively affect the perception rating agencies, or the market generally, have of Ziraat Katilim's rating. Investors should be aware that a credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time. (See "*Risk factors relating to Ziraat Katilim's business - A significant portion of Ziraat Katilim's total assets comprises securities issued by the Turkish Government, and thus, in the event of a Turkish Government downgrade or default, there would be a direct negative impact on Ziraat Katilim in addition to a severe impact on the Turkish economy*")

***Restrictive covenants under Ziraat Katilim's outstanding financing agreements may adversely affect Ziraat Katilim's operations, and a breach of any of these covenants could result in the counterparty exercising remedies against Ziraat Katilim or its properties***

Ziraat Katilim is party to a range of agreements, including in respect of debt instruments issued by Ziraat Katilim, which contain restrictive covenants, such as negative pledges, maintenance of certain regulatory authorisations, refraining from certain transactions with affiliates, and certain financial reporting requirements. These restrictive covenants may adversely affect Ziraat Katilim's operations. In addition, a breach of any of these covenants could result in a default under the applicable agreements, which could result in the counterparty exercising remedies against Ziraat Katilim or its properties and that could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Future events may be different than those reflected in the management assumptions and estimates used in the preparation of Ziraat Katilim's financial statements, which may cause unexpected reductions in profitability or losses in the future***

Pursuant to BRSA rules and interpretations in effect as at the date of this Prospectus, Ziraat Katilim is required to use certain estimates in preparing its financial statements, including accounting estimates to determine loan loss reserves and the fair value of certain assets and liabilities, among other items. Should the estimated values for such items prove substantially inaccurate, particularly because of significant and unexpected market movements, or if the methods by which such values were determined are revised in future BRSA rules or interpretations, Ziraat Katilim may experience unexpected reductions in profitability or losses.

***Ziraat Katilim is exposed to risks related to doing business with related parties***

The Turkish Banking Law places limits on a Turkish bank's exposure to related parties. Ziraat Katilim enters into banking transactions within the framework of the Banking Law and tax regulations. Although Ziraat Katilim's management believes that these transactions are on an arm's length basis and in line with the Banking Law and tax regulations, the interests of Ziraat Katilim might not at all times be aligned with the interests of the Certificateholders.

***The auditor's report in relation to Ziraat Katilim's 2022 Annual Audited Financial Statements and the auditor's review report in relation to Ziraat Katilim's 2023 Half-Year Financial Statements have included a qualification paragraph and reports in relation to future financial statements might include similar qualifications***

The independent auditor's report included in the 2022 Audited Annual Financial Statements and the independent auditor's review report included in the 2023 Half-Year Financial Statements were qualified with respect to free provisions that were allocated by the Bank. Such report in respect of the 2022 Audited Annual Financial Statements states that Ziraat Katilim's consolidated financial statements as at 31 December 2022 include a free provision amounting to TRY 1,004,000 thousand which consist of TRY 20,000 thousand provided in the prior period and TRY 984,000 thousand recognized in the current year by the Bank's management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation. In this period, the free provisions were provided for the possible effects of negative circumstances that may arise in the economy or market conditions. See also the independent auditor's report included in the 2022 Audited Annual Financial Statements.

The 2023 Half-Year Financial Statements include a free provision amounting to TRY 404,000 thousand, which consist of TRY 1,004,000 thousand provided in the prior period and TRY 600,000 thousand recognized in the current year by the Bank's management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Similar qualifications might be included in the corresponding audit or review reports for future fiscal periods.

Although free provisions do not impact Ziraat Katilim's level of tax, Ziraat Katilim's capital adequacy ratios and net profit/(loss) might otherwise be higher in the periods in which such reserves are established and lower in the periods in which such reserves are reversed.

#### **Risk factors relating to Türkiye**

##### ***Political Conditions***

Any claims against Ziraat Katilim under the Certificates and the Transaction Documents will be unsecured claims payable from, among other sources, Ziraat Katilim's funds in Türkiye. The ability of Ziraat Katilim to make any such payments from Türkiye will depend, among other factors, upon the Turkish government not having imposed any prohibitive foreign exchange controls, Ziraat Katilim's ability to obtain U.S. dollars in Türkiye and Ziraat Katilim's ability to secure any applicable necessary approval from the relevant authority, which could be affected by the circumstances described below. Any such restrictions or failure to obtain the necessary approval could affect Ziraat Katilim's ability to make payments under the Certificates.

##### ***Political developments in Türkiye may have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects***

The political circumstances in Türkiye have had (and will continue to have) a material influence on the Turkish economy, which in turn have resulted (and will continue to result) in material impacts on Ziraat Katilim's business, financial condition and/or results of operations. These conditions include (*inter alia*) domestic political events, Türkiye's relationship with other nations, internal and regional conflicts and the regulatory framework in Türkiye.

Negative changes in Türkiye's domestic and/or international political circumstances, including the inability of the Turkish government to devise or implement appropriate economic programmes and the level of investor confidence in Türkiye's economic programmes and governance, might adversely affect the stability of the Turkish economy and, in turn, Ziraat Katilim's business, financial condition and/or results of operations. Unstable coalition governments have been common, and Türkiye has had numerous, short-lived governments, with political disagreements frequently resulting in early elections, which has resulted in political and economic uncertainty.

The Turkish political environment has at times been volatile, specifically following an attempted coup on 15 July 2016 by a group within the Turkish army. Following the coup attempt, including during a two year state of emergency implemented by the government, the government has: (a) initiated legal proceedings against numerous institutions (including schools, universities, hospitals, associations and foundations),

some of which were closed down, (b) arrested, discharged or otherwise limited thousands of members of the military, the judiciary and the civil service, (c) restricted media outlets and (d) otherwise taken actions in response to the coup attempt, including expansion of these actions to members of the business community and the journalism sector.

In elections held on 24 June 2018, President Erdoğan received approximately 53 per cent. of the votes, being re-elected as the President, and the Justice and Development Party (*Adalet ve Kalkınma Partisi* (the "AKP")), the President's party, and the Nationalist Movement Party (*Milliyetçi Hareket Partisi*) ("MHP"), which formed the "People's Alliance" bloc with the AKP, together received sufficient votes to hold a majority of the seats in Parliament. As of 9 July 2018, the parliamentary system was transformed into a presidential one and President Erdogan thus now holds the additional powers granted to the President pursuant to a referendum held on 16 April 2017.

On 9 July 2018, President Erdogan announced the new ministers of his cabinet, which included the appointment of the former minister of Energy and Natural Resources and his son-in-law, Berat Albayrak, as the Minister of Treasury and Finance. On 6 July 2019, the governor of the Central Bank was removed from his post by a Presidential Decree and, on the same day, President Erdogan appointed Mr. Murat Uysal, one of the Central Bank's then-deputy governors, as the new governor of the Central Bank. This was followed on 9 August 2019 by the board of the Central Bank, as part of its reorganisation, removing from office its chief economist and some other high-ranking officials. On 8 November 2020, Mr. Albayrak resigned from his position as Minister of Treasury and Finance and was promptly replaced by Mr. Lutfi Elvan, a former Minister of Development and Minister of Transport, Maritime and Communication. Following the depreciation of the Turkish Lira to its weakest value to that date (exceeding TRY 8.5 per U.S. dollar), the governor of the Turkish Central Bank was replaced by a Presidential Decree on 7 November 2020 and then (on 20 March 2021) was replaced again in June 2023 after a series of rate increases. The dismissal of Mr. Naci Agbal, the then-governor of the Turkish Central Bank on 20 March 2021, led to a negative market reaction, with investors' sales of certain Turkish assets leading to the value of the Borsa Istanbul 100 stock index declining by 9.6 per cent. in a week and the Turkish Lira depreciating by 9.9 per cent. against the U.S. dollar (from TRY 7.27 per U.S. dollar before the dismissal of the governor to TRY 7.99 per U.S. dollar) during the same period. The Central Bank policy rate increased throughout 2020 and into 2021 (topping at 19.00 per cent. from March to September 2021) as a result of ongoing higher inflation and increasing inflation expectations; however, contrary to the expectations of some market participants, the rate was reduced by 100 basis points (to 18.00 per cent.) in September 2021, at which time the Central Bank also removed its commitment to keep its policy rate above inflation, creating increased uncertainty in the monetary policy framework in Türkiye.

On 13 October 2021, three members of the Central Bank's monetary policy committee were replaced, and the Central Bank further reduced its policy rate by a larger-than-expected 200 basis points (to 16.00 per cent.) on 21 October 2021. On 18 November 2021, the rate was reduced by a further 100 basis points to 15.00 per cent.. On 2 December 2021, during a period of depreciation of the Turkish Lira, Mr. Elvan resigned as Minister of Treasury and Finance and was replaced by Mr. Nureddin Nebati. On 16 December 2021, the Central Bank reduced its policy rate by another 100 basis points to 14.00 per cent., following which the Turkish Lira reached an all-time low of TRY 17.47/US\$1 on 20 December 2021 given the Central Bank's accommodative stance despite high inflationary conditions. Subsequently, the Turkish government, among other things, introduced a foreign exchange-protected Turkish Lira deposit scheme in an effort to reduce the volatility in exchange rates and lower the inflation rate, as a result of which the Turkish Lira appreciated by 31.1 per cent. against the US dollar (to TRY 13.33/US\$1) from 20 December to 31 December 2021. After the presidential elections in May 2023 and the subsequent appointment of Mrs. Hafize G     Erkan as the new Central Bank chief, the Central Bank increased the rate to 15.00 per cent. on 22 June 2023, further raised to 17.5 per cent. on 20 July 2023, 25.00 per cent. on 24 August 2023 and then 30.00 per cent. on 21 September 2023 and on 26 October 2023 the Central Bank increased the rate to 35.00 per cent.

In 2022, the Central Bank initially held the rate notwithstanding rapidly increasing inflation and then, contrary to the expectations of many market participants, reduced the rate to 13.00 per cent. on 18 August 2022 and again to 12.00 per cent. on 22 September 2022, both of which reductions resulted in the Turkish Lira declining to a new all-time low, and then further reduced the rate to 10.50 per cent. on 20 October 2022, 9.00 per cent. on 24 November 2022 and 8.50 per cent. on 23 February 2023. As at 31 December 2022, the exchange rate had fallen further to TRY 18.6985/US\$1. After the presidential elections in May 2023, the governor of the Central Bank and the Minister of Treasury and Finance were replaced again, after which the first meeting of the Central Bank's Monetary Policy Committee increased the rate to 15.00 per

cent. on 21 June 2023, and further raised to 17.50 per cent. on 20 July 2023 and then to 25.00 per cent. on 24 August 2023. Any failure of the Central Bank and/or the Turkish Treasury to implement effective policies might adversely affect the Turkish economy and thus have a material adverse effect on Ziraat Katılım's business, financial condition and/or results of operations. See also *"Risk factors relating to Türkiye - Türkiye's economy has been subject to significant inflationary pressures in the past and might become subject to significant inflationary pressures in the future"* below.

Municipal elections were held on 31 March 2019, as a result of which the AKP lost control of several major cities, including Istanbul, Ankara and Antalya; however, the AKP claimed election fraud, and requested to repeat the elections in Istanbul. On 6 May 2019, the Supreme Election Board ordered a revote for Istanbul mayor in an election held on 23 June 2019. In the revote, Mr. Ekrem Imamoglu, the CHP's candidate who had been declared the winner of the 31 March 2019 elections and had been installed as mayor until the revote decision of the Supreme Election Board, increased his majority to 54.21 per cent. and he was reinstalled as mayor on 27 June 2019. In December 2022, a court convicted Mr. Imamoglu of violating a law prohibiting insulting public officials, for which he was sentenced to over two years in prison, which sentence is currently being appealed. General and presidential elections were held on 14 May 2023, with the AKP's coalition retaining a majority of the seats in Parliament; however, the presidential elections went to a second round as no candidate earned a majority of the vote. The second round was held on 28 May 2023, with President Erdogan winning a third five-year term.

In addition to domestic events, there has from time to time been political tension between Türkiye and the EU, certain members of the EU and the United States. With respect to the EU, see *"-Uncertainties relating to Türkiye's accession to the EU may adversely affect Turkish financial markets and result in greater volatility"* below. With respect to the United States, various events during recent years have impacted the relationship, including: (a) the conflicts against the self-proclaimed jihadist Islamic State ("**ISIS**") and in Syria, (b) relationships with Iran (including the purchase of oil from Iran), (c) the October 2019 U.S. federal indictment of state-controlled bank Türkiye Halk Bankası A.S. ("**Halkbank**") asserting violations of U.S. sanctions on Iran, (d) the arrest and detention of Pastor Andrew Brunson in 2018, (e) Türkiye's December 2017 entry into a contract with Russia for the purchase of S-400 missile defence systems as described further below and (f) Türkiye's position with Russia in light of the conflict between Russia and Ukraine (particularly in light of U.S., UK and EU sanctions against Russia). Such events have resulted in a number of actions by the U.S. from time to time, including the temporary imposition of sanctions in 2018 and the temporary suspension of visa services to Turkish nationals. Any such events or future events might materially alter the relationship between Türkiye and the United States, particularly in the context of the Russian invasion of Ukraine in February 2022.

In December 2017, Türkiye entered into a contract with Russia for the purchase of S-400 missile defence systems, the first shipments of which were received on 12 July 2019. As a result, Türkiye was excluded from NATO's F-35 stealth fighter jet programme on 17 July 2019. On 11 December 2020, the U.S. Congress passed (on a bipartisan basis) an annual defense spending bill that included a requirement that (within 30 days from enactment) sanctions be imposed by the U.S. administration upon Türkiye in connection with Türkiye's purchase of the S-400 missile defence systems and, on 14 December 2020, the U.S. administration announced sanctions on Türkiye's Presidency of Defence Industries (the "**SSB**") and its president and other senior officers pursuant to Section 231, widely known as CAATSA (the Countering America's Adversaries Through Sanctions Act), for Türkiye's continued possession of the Russian S-400 missile defence system. The imposed sanctions include: (a) a ban on all U.S. export licenses and authorisations to the SSB and (b) an asset freeze and visa restrictions on the SSB's president and other SSB officers. While such sanctions were less impactful than others that were available to be imposed and did not have a material impact on Turkish markets, it is uncertain if any other NATO member will impose any sanctions or other measures (or if the U.S. will impose additional sanctions or other measures) against Türkiye and, if imposed, how such sanctions or other measures might impact the Turkish economy and/or the relationship between Türkiye and any other NATO member.

In October 2020, conflict broke out between Armenia and Azerbaijan over the disputed territory of Nagorno-Karabakh. Türkiye supported the efforts by Azerbaijan, which again put it in conflict with Russian interests.

In late 2021, the Taliban, a militant group, took over Afghanistan, which has created expectations of a potential new migration wave through Europe and Türkiye. President Erdoğan and other high-level Turkish officials have made various statements noting that Türkiye will not shoulder the burden of a new migration wave; however, there is no certainty as to what impact on Türkiye any such migration might have. Türkiye's

future relationship with the Taliban is also uncertain given the complex geopolitical circumstances relating to Afghanistan.

The above-mentioned events, future elections, changes in the governance and operation of Türkiye's institutions and/or other political circumstances might: (a) result in the volatility of Turkish financial markets, have an adverse effect on investors' perception of Türkiye and its institutions and/or have an adverse effect on Türkiye's ability to support economic growth and manage domestic social conditions, (b) result in (or contribute to) a deterioration of the relationship between Türkiye and the EU, certain members of the EU, the United States, Russia and/or other countries and/or (c) have an adverse impact on the Turkish economy or Turkish institutions, any of which in turn might have a material adverse effect on Ziraat Katılım's business, financial condition and/or results of operations and/or on the market price of an investment in the Certificates.

***Conflict and terrorism within Türkiye or conflict and terrorism in neighbouring and nearby countries may have a material adverse effect on Ziraat Katılım's business, financial condition, results of operations or prospects***

Türkiye is located in a region that has been subject to ongoing political and security concerns, including political instability and frequent incidences of violence in a number of countries in the Middle East and North Africa. In particular, the conflicts in Afghanistan and Syria and against ISIS have been the subject of significant international attention and conditions in the region remain volatile. Unrest in these countries might affect Türkiye's relationships with its neighbours, have political implications both within Türkiye and in its relationship with other countries and/or have a negative impact on the Turkish economy, including through both financial markets and the real economy. Such impacts might occur (*inter alia*) through the significant movement of Syrian and Afghan refugees (including through Türkiye into the EU), a lower flow of foreign direct investment into Türkiye, capital outflows and/or increased volatility in the Turkish financial markets.

In connection with the conflicts in Syria, there have been military and civilian hostilities in both directions across the Syrian-Turkish border followed by the above-described commencement by the Turkish military to establish a "safe zone" in northern Syria, which might have political repercussions both within Türkiye and in its relationship with the United States, Russia, Syria, Iran and/or other countries and/or have an adverse impact on the Turkish economy. The conflict with the Kurdistan Worker's Party (the "PKK"), which has intensified since 2015, also might (*inter alia*) negatively impact the Turkish economy and/or Türkiye's relationship with the United States.

The Turkish military commenced military operations in northern Syria in October 2019. This engagement expanded, including in particular around Idlib, and has resulted in many Turkish casualties and increased direct conflicts between the Turkish and Syrian militaries. Although Türkiye and Russia reached a ceasefire agreement in March 2020, a permanent diplomatic solution has not yet been reached and it is possible that this conflict might escalate further. The conflicts in Nagorno-Karabakh described above also might contribute to further disagreements between Türkiye and Russia.

Most recently, Russia invaded Ukraine on 24 February 2022, triggering significant geopolitical tension. As a result thereof, the United States, the United Kingdom, the EU and other jurisdictions have imposed significant and broad economic and other sanctions upon Russia, parts of Russian-controlled Ukraine and various designated entities and individuals that have contributed military and other supplies to Ukraine, which included restrictions on the import of Russian oil and transactions with the Russian central bank and a number of Russian banks. Certain countries froze the assets of the Russian central bank and the United States barred U.S. agents and other financial intermediaries from making payments on Russian debt payments, making it harder for Russia to repay its international debts (in June 2022, Russia defaulted on part of its foreign currency-denominated debt). Some Russian banks have been removed from the international financial messaging system SWIFT and several international companies have disposed of, liquidated, suspended or otherwise limited their businesses in Russia. This has already had, and likely will continue to have, a material impact on: (a) global economic and market conditions, including increasing inflation (particularly for food, energy and shipping costs), contributing to volatility in interest and exchange rates and exacerbating already difficult global supply chain challenges (including through limitations on imports to and exports from Russia), and (b) geopolitical relationships and militarisation. According to the International Monetary Fund's July 2023 World Economic Outlook report, the war in Ukraine (including sanctions on Russia) and extreme weather-related events has negatively impacted global economic growth and increased inflation, with estimates that Ukraine and Russia experienced declines in

real gross domestic product of 35.0 per cent. (from such report in April 2022) and 2.2 per cent., respectively, in 2022, and growth for the EU in 2022 being reduced to 3.5 per cent. from a pre-war prediction of 3.9 per cent.. Also, the growth rate for the EU is projected to fall to 0.9 per cent. in 2023. Projections for global growth in 2022 were also reduced to 3.4 per cent. from January 2022's prediction of 4.4 per cent.. The ratio is expected to be 3.0 per cent. for 2023 and 2024. It is also possible that this war could lead to further military conflicts, particularly involving Eastern Europe, and extension or escalations in the conflict could lead to additional sanctions being imposed on Russia, thereby leading to more economic disruption. In response to Russia's invasion of Ukraine in February 2022, Finland and Sweden applied to join NATO. Their application was initially vetoed by Türkiye, pending resolution of bilateral political issues between Türkiye and these countries. On 31 March 2023, Türkiye ratified Finland's accession to NATO and on 11 July 2023, Türkiye agreed to support Sweden's application to join NATO after ongoing negotiations between Türkiye and the two countries. While, as of the date of this Prospectus, the Turkish government has indicated that it seeks to maintain functioning relationships with all parties, there can be no certainty as to how events might develop and their impact on Türkiye, including due to Türkiye's complex relationship with Russia and Türkiye's membership in NATO.

In 2022, Türkiye received 5.1 million and 0.7 million tourists from Russia and Ukraine, respectively, representing 13.3 per cent. of all international tourists during the year. The total exports to Russia and Ukraine were US\$9.3 billion and US\$3.1 billion, respectively, in 2022, jointly representing 4.9 per cent. of Türkiye's exports during the year. The total imports from Russia and Ukraine were US\$58.8 billion and US\$4.5 billion, respectively, in 2022, jointly representing 17.4 per cent. of Türkiye's imports during the year, with the large imports from Russia relating primarily to energy. Any negative impacts on these results relating to the war in Ukraine might have a significant adverse effect on the Turkish economy, including the balance of payments and inflation. In addition, as Türkiye is a net energy importer, higher global oil and natural gas prices might result in higher energy costs for consumers and companies (in March 2022, Brent crude oil prices increased to the highest level since 2008, which prices then declined but might increase further, including as a result of the conflict in Ukraine and related sanctions, particularly if Russian energy supplies become subjected to additional sanctions and/or Russia continues to reduce or stops its supply of energy to Europe). These increases in the current account deficit, particularly when combined with monetary tightening in developed economies, might contribute to the depreciation pressure on the Turkish Lira, which might result in even higher inflation in Türkiye.

More broadly, the current events in Israel and Gaza that commenced in October 2023 could increase the risk of destabilisation of the broader region and the situation remains highly volatile and uncertain.

The above (or similar) circumstances have had and might continue to have a material adverse effect on the Turkish economy and thus on Ziraat Katilim's business, financial condition and/or results of operations, whether as a result of: (a) direct impacts on the Turkish economy (such as a result of any disruption to energy flows from Russia or reductions in tourism, whether as a result of sanctions or otherwise) or indirect impacts (such as from increasing global inflation, volatility in energy and commodity prices, disruptions to supply chains and related impacts on global growth, increased funding costs, decreased liquidity and/or decreased access to wholesale funding markets) and/or (b) any deterioration in the relationship between Türkiye and the United States, Russia and/or other countries.

***Uncertainties relating to Türkiye's accession to the EU may adversely affect Turkish financial markets and result in greater volatility***

Türkiye has had a long-term relationship with the EU, including as a candidate country for EU membership since the Helsinki European Council of December 1999. The EU resolved on 17 December 2004 to commence accession negotiations with Türkiye and affirmed that Türkiye's candidacy to join the EU was to be judged by the same 28 criteria (or "Chapters") applied to other candidates. These criteria require a range of political, legislative and economic reforms to be implemented.

Although Türkiye has implemented various of these reforms and has continued harmonisation efforts with the EU, the relationship between the EU and Türkiye has at times been strained, including due to the passage of Syrian and other refugees through Türkiye into the EU. The Parliamentary Assembly of the Council of Europe voted on 25 April 2017 to restart monitoring Türkiye in connection with human rights, the rule of law and the state of democracy and officials of the EU and certain of its member states have since made various references about the suspension of negotiations for Türkiye's potential membership in the EU. On 15 July 2019, the EU adopted certain measures against Türkiye over Türkiye's drilling for gas in waters off Cyprus, including reducing certain funding (including loans via the European Investment Bank) and the

suspension of high level communications and of the negotiations for a comprehensive air transport agreement. On 11 November 2019, the EU adopted a framework for imposing sanctions on individuals or entities responsible for, or involved in, these drilling activities and, in February 2020, instituted sanctions against two executives of the Turkish drilling company. More recently, tensions have increased between Türkiye and France, including due to differing interests in the conflict in Libya and territorial rights in the Mediterranean Sea. Tensions have also risen between Greece and Türkiye relating to disputed claims over Mediterranean waters, particularly in areas around Cyprus in which significant hydrocarbon reserves have been discovered. In October 2020, both France and Greece asked the EU to consider suspending the bloc's customs union agreement with Türkiye and, on 26 November 2020, the European Parliament passed a non-binding resolution calling for sanctions on Türkiye. On 11 December 2020, EU leaders agreed to impose sanctions against unspecified individuals and entities involved in activities related to the disputed waters, with the identity of these individuals and sanctions to be named shortly thereafter, and noted that further sanctions might be imposed in early 2021; however, in March 2021, EU leaders decided to postpone these plans in light of increased diplomatic activity. Any decision by the EU to abolish or limit the customs union with Türkiye, end Türkiye's EU accession bid or impose additional sanctions on Türkiye might result in (or contribute to) a deterioration of the relationship between Türkiye and the EU and have material negative impacts on Türkiye's economy.

These circumstances might result in (or contribute to) a deterioration of the relationship between Türkiye and the EU and/or certain of its member states. There can be no assurance that the EU or Türkiye will continue to maintain an open approach to Türkiye's EU membership or that Türkiye will be able to meet all the criteria applicable to becoming an EU member state. In the event of a loss of market confidence as a result of deterioration, suspension or termination in Türkiye's EU accession discussions or any other international relations between Türkiye and the EU (or any of its member states), the Turkish economy might be adversely affected, which might have a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations.

### ***Economic Conditions***

As a large national bank in Türkiye, Ziraat Katilim's business, financial condition and results of operations are significantly dependent upon the economic conditions in Türkiye. In addition to domestic influences on the strength of Türkiye's economy, Türkiye's economy has been and will continue to be significantly impacted by a number of external factors, including (*inter alia*) the economic conditions of Türkiye's primary trading partners, external fund flows, international trade, interest rates and other actions by the U.S. Federal Reserve and the ECB, geopolitical tensions and fiscal, regulatory and other actions by other governments. These and other factors might have a material adverse impact on international financial markets and/or economic conditions, which, in turn, might result in a material adverse effect on the Turkish economy and thereby might have a material adverse effect on the Group's business, financial condition and/or results of operations. In addition, these factors might disrupt payment systems, money markets, long-term and short-term fixed income markets, foreign exchange markets, commodities markets and equity markets, including adversely affecting the cost and availability of funding for Ziraat Katilim.

In recent years, Türkiye's GDP growth rates have been volatile. In the first three months of 2020, GDP increased by 4.4 per cent. compared to the same period of the previous year; however, GDP sharply decreased by 10.3 per cent. in the second quarter of the year driven by the impact of the COVID-19 pandemic. GDP then returned to strong growth in the third and fourth quarters of 2020, which growth was supported by an increase in investments and household consumption benefitting from accommodative monetary policy and high credit growth. As a result, and notwithstanding the pandemic's continuing impact both on Türkiye and globally resulting from the precautions (such as curfews, travel restrictions, factory closures and restrictions on public gatherings) taken to minimise the transmission of COVID-19, GDP increased by 1.9 per cent. during 2020. During 2021, GDP increased by 11.4 per cent., which growth was supported by the recovery in global economic activity, moderate credit expansion and a favourable base effect, whereas growth during 2022 was 5.6 per cent., due primarily to strong consumption and moderate investment and export performances. GDP increased by 4.0 per cent. and 3.8 per cent. in the first and second quarter of 2023, respectively. It should be noted that these GDP results are in inflation-adjusted Turkish Lira terms and, as the exchange rate of the Turkish Lira against the U.S. dollar varies (in some years, significantly), these reported changes in GDP would have been different (in some years, significantly) were they determined in U.S. dollar terms.

The pre-election easing of credit conditions and further expansionary fiscal policies might have temporarily boosted economic activity in the first half of 2023, while some downward adjustments might happen after

the elections. With the global evolution of the pandemic, there is the risk of the emergence of new virus variants, including those that spread more easily, show resilience against the available vaccines and treatments and/or cause higher rates of hospitalisation or death. In such circumstances, growth might be weak in the remainder of 2023 and thereafter, which could have a material adverse effect on Ziraat Katilim's business, results of operations and financial condition, including through a deterioration in the asset quality of Ziraat Katilim's growing loan portfolio and/or the increasing formation of NPLs (particularly for SMEs and in industries, such as tourism and retail, that have been disproportionately impacted by the precautions taken to minimise the transmission of COVID-19) (see "*The outbreak of the COVID-19 pandemic has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Ziraat Katilim and/or its clients*").

On 6 February 2023, Türkiye was hit by severe earthquakes in Kahramanmaraş, causing destruction in 11 provinces. Due to the disaster, a state of emergency was declared in 10 of these provinces for three months. In addition to the significant loss of life and damage to infrastructure, the Borsa İstanbul suspended trading of stocks and derivatives for five trading days. As of the date of this Prospectus, the full impact on Türkiye's economy is uncertain but is expected to be substantial and material. In turn, the extent of the impact on Ziraat Katilim's business, financial condition and results of operations remains uncertain.

Government actions to stimulate the Turkish economy might increase the government debt and budget deficit levels, which might in turn contribute adversely to the country's economic stability. The debt of the Turkish government and corporates, both of which significantly rely directly or indirectly upon financing from international creditors, has been increasing whereas the Central Bank's net foreign exchange reserves have recently experienced periods of decline (including being negative when swaps are excluded) to levels that might require the Turkish government and corporate borrowers to be dependent upon continued access to external funding in order to refinance upcoming debt payments.

Ziraat Katilim's banking and other businesses are significantly dependent upon its customers' ability to make payments on their loans and meet their other obligations to Ziraat Katilim. If the Turkish economy suffers because of any of the factors described above or any other reason, then this might increase the number of Ziraat Katilim's customers who are not able to repay loans when due or meet their other obligations to Ziraat Katilim or who seek to restructure their loans, which would increase Ziraat Katilim's past due loan portfolio, require Ziraat Katilim to reserve additional provisions and/or reduce its net profit/(loss) and capital levels. In addition, volatility in the international or Turkish financial markets and/or economy and/or any tightening in credit conditions might result in decreased demand for Ziraat Katilim's products and services, increased borrowing costs (including due to increased competition for deposits) and reduced, or no, access to capital markets. The occurrence of any or all of the above might have a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations, including a decline in its net interest income and/or decreases in Ziraat Katilim's fees and commission income.

#### ***The Turkish economy is subject to significant macroeconomic risks***

All of Ziraat Katilim's operations and all of its assets are in Türkiye. As a result, Ziraat Katilim's business and results of operations are affected by general economic conditions in Türkiye. Since the early 1980s, the Turkish economy has undergone a transformation from a highly protected and regulated system to a free market system. Although the Turkish economy has responded positively to this transformation, it has experienced severe macro-economic imbalances, including significant current account deficits, and a considerable level of unemployment. Türkiye might experience a further significant economic crisis in the future, which could have a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations.

In addition, the Turkish economy remains vulnerable to both external and internal shocks, including volatility in oil prices, changing investor opinion, outbreaks of disease (e.g., SARS and the COVID-19 coronavirus) and natural events such as earthquakes. For example, the impact of the COVID-19 coronavirus on the global economy (including precautions taken to minimise transmission, including travel restrictions, the closure of factories and restrictions on public gatherings) has increased risks to global growth and financial markets. Global macroeconomic and geopolitical uncertainties, slowdown in capital flows to emerging markets and an increasingly protectionist approach to global foreign trade also continue to negatively affect the Turkish economy.

Domestic macroeconomic factors, including the current account deficit, high levels of unemployment (a seasonally adjusted 9.4 per cent. as of July 2023), high levels of inflation and interest rate and currency

volatility, remain of concern, particularly in light of the further depreciation of the Turkish Lira. These conditions have had, and likely will continue to have, a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations, including as a result of their impact on Ziraat Katilim's customers. The Turkish government has sought to improve economic growth and, in September 2023, the Turkish Treasury published a three-year medium-term economic programme (referred to as the "**Medium Term Programme**") under which GDP growth was anticipated to be 4.4 per cent. and 4.0 per cent. for 2023 and 2024, respectively, and 4.5 per cent. and 5.0 per cent. for 2025 and 2026, respectively; however, consumer inflation has substantially exceeded the target for 2023 and is anticipated to reach 64.3 per cent in 2023 and, in 2024, it is expected to remain well above the inflation target of 8.5 per cent. (by reaching 33 per cent.) through the programme period. Furthermore, the annual rate of increase in the consumer price index ("CPI") was 58.9 per cent. as of August 2023, and it is anticipated to rise to 65 per cent. by the end of the year.

In particular, the general macroeconomic conditions in Türkiye might have a material adverse effect on the Bank's retail and SME customers, both as borrowers and providers of deposits. For example, should the unemployment rate increase, the ability of the Bank's retail customers to meet their payment obligations and/or deposit funds with the Bank might be reduced. Similarly, reduced demand for goods and services caused by a slowdown in the Turkish economy might significantly impact SMEs. Additionally, the significant inflation since 2021 might decrease the ability of retail and other customers to pay their debts and/or contribute to economic growth, and their demand for loans and other banking services might decline. Any material adverse effect on the Bank's retail and SME customers resulting from macroeconomic conditions might impair the Group's business strategies and have a material adverse effect on the Bank's business, financial condition and/or results of operations.

In the first half of 2019, the then Treasury and Finance Minister Mr. Albayrak announced "Structural Transformation Steps" intended to support and strengthen: (a) the financial sector, (b) the fight against inflation, (c) budget discipline and tax reform and (d) sustainable growth. On the financial sector side, the main efforts have been focused on increased capitalisation and strengthening the asset quality of the banking sector, including additional capital infusions into the public banks and guidance to private banks to increase capital (including a temporary prohibition on the distribution of dividends). For example, the Turkish Treasury announced that it intended to issue special domestic bonds (a total of TRY 28 billion) to finance additional capital infusions into the public banks and that private banks will be guided to increase capital if needed (including a temporary prohibition on the distribution of dividends).

In March 2021, the Turkish government announced "The Economic Reform Package" aiming to strengthen fiscal discipline and financial stability. The reforms in the package include supporting SMEs with tax reductions, decreasing foreign currency borrowing in order to reduce the sensitivity of the country's debt stock to external shocks and supporting exports and green transformation of industrial companies in order to narrow the current account deficit. The package also aims to support employment, encourage transparent and accountable institutionalised governance, promote private sector investments and increase competitiveness in domestic markets. There can be no assurance that these targets will be reached or that the Turkish government will implement its current and proposed economic and fiscal policies successfully, including the Central Bank's efforts to curtail inflation and simplify monetary policy.

Since February 2001, the Central Bank has applied a floating exchange rate policy. Exchange rates for the Turkish Lira have historically been, and continue to be, highly volatile and recent events have further contributed to significant fluctuations in the value of the Turkish Lira and various governmental policies to respond to currency volatility and the resulting economic conditions. In recent years, there have been a number of periods of sharp depreciation and some recovery in the value of the Turkish Lira (e.g., the Turkish Lira depreciated against the U.S. dollar by 19.1 per cent. in 2020, 43.4 per cent. in 2021, 28.7 per cent. in 2022 and approximately 20 per cent. in the first half of 2023, with significant volatility (particularly from August through November of 2020) driven in part by changes in Central Bank policy and regulatory changes and significant declines in the value of the Turkish Lira starting in September 2021 with the Central Bank's decision to reduce policy rates despite very high levels of inflation). The Central Bank has from time to time used its interest rate policy, reserve requirements and other tools to try to lower inflationary pressures arising from exchange rate volatility, including some fairly large hikes in interest rates in 2018 (which were then followed by large decreases in 2019 and early 2020 as inflation moderated and then, notwithstanding the disinflationary impact of COVID-19 pandemic related shutdowns, significant increases starting in August 2020 to address a significant depreciation in the value of the Turkish Lira; however, contrary to the expectations of some market participants, the Central Bank reduced its policy rate by 100 basis points in September 2021 and then, after three members of the Central Bank's monetary policy

committee were replaced on 13 October 2021, further reduced the policy rate by a larger-than-expected 200 basis points (to 16.00 per cent.) on 21 October 2021, another 100 basis points (to 15.00 per cent.) on 18 November 2021 and another 100 basis points (to 14.00 per cent.) on 16 December 2021), following which the Turkish Lira reached a then all-time low of TRY 17.4731/US\$1 on 20 December 2021 given the Central Bank's accommodative stance despite high inflationary conditions. Subsequently, the Turkish government, among other things, introduced a foreign exchange-protected Turkish Lira deposit scheme in an effort to reduce the volatility in exchange rates and lower the inflation rate, resulting in some improvement in exchange rates. The scheme was announced in respect of retail depositors on 20 December 2021 and subsequently expanded to include corporate foreign currency accounts and gold deposit accounts in January 2022 and non-resident Turkish nationals in February 2022. In 2022, the Central Bank initially held its policy rate notwithstanding rapidly increasing inflation and then, contrary to the expectations of many market participants, reduced the rate to 13.00 per cent. on 18 August 2022 and again to 12.00 per cent. on 22 September 2022, both of which reductions resulted in the Turkish Lira declining to a new all-time low, and then further reduced its policy rate to 10.50 per cent. on 20 October 2022, 9.00 per cent. on 24 November 2022 and 8.50 per cent. on 23 February 2023. After the presidential elections in May 2023 and the subsequent appointment of Mrs. Hafize Gaye Erkan as the new Central Bank chief, the Central Bank increased the rate to 15.00 per cent. on 22 June 2023, further raised to 17.5 per cent. on 20 July 2023, 25.00 per cent. on 24 August 2023 and then 30.00 per cent. on 21 September 2023. The impact of these circumstances, including changes in the exchange rates of the Turkish Lira, might have a material adverse effect on Ziraat Katilim's, including through borrower defaults, increased NPLs, reduced loan volumes and reduced earnings, the revaluation of assets and liabilities (including increases in the Turkish Lira-equivalent value of Ziraat Katilim's obligations in other currencies), a decline in capital and/or rapid changes in the economic and legal environment.

As described elsewhere, the BRSA announced rules allowing banks to: (a) use the Central Bank's foreign exchange buying rates as at 30 December 2022 in certain capital and other calculations (replacing an earlier rule allowing the use of the Central Bank's foreign exchange buying rates as at 31 December 2021) and (b) when making capital calculations, avoid the inclusion of mark-to-market losses on securities booked in the "financial assets at fair value through other comprehensive income" portfolio. As also described elsewhere, the BRSA has announced regulatory forbearance measures that allow banks to use 0 per cent. risk weightings for foreign currency-denominated receivables owed by the centralised administration (i.e., Turkish 21 state institutions and other public institutions that do not have a separate legal entity and act under the legal entity of the Turkish sovereign) while calculating the amount of exposure subject to credit risk in accordance with the standardised approach as determined under the Capital Adequacy Regulation. Collectively, these accommodations have had a material positive impact on the capital adequacy ratios of Ziraat Katilim and, if such were to be discontinued or limited, Ziraat Katilim's capital adequacy ratios would likely decline.

Any further significant depreciation of the Turkish Lira against the U.S. dollar or other major currencies, or any actions taken by the Central Bank or other Turkish authorities to protect the value of the Turkish Lira (such as increased interest rates or other policy actions by the Central Bank), might adversely affect the financial condition of Türkiye as a whole, including its inflation rate and/or the ability of the Central Bank to implement its policy goals, and might have a material negative effect on the Bank's business, financial condition and/or results of operations. As at 31 August 2023, the Central Bank had net negative foreign exchange reserves (excluding swap transactions), which could further limit the Central Bank's policy actions, including actions to limit any further reductions in foreign currency liquidity in Türkiye.

Any monetary policy tightening of the U.S. Federal Reserve (including as started in early 2022) and/or the ECB (such as the announced wind-down of asset purchases or the interest rate increases started in July 2022), or any other increase in market interest rates, particularly if it is more accelerated than expected, might have an adverse impact on Türkiye, including on Türkiye's external financing needs, and might reduce the availability of and/or increase the cost of funding to the Turkish banking sector. A reduction of external financing might increase the volatility of exchange rates, which might negatively impact macroeconomic conditions, and result in higher costs of funding.

Should Türkiye's economy experience macroeconomic imbalances or otherwise be unsuccessful, it might have a material adverse impact on Ziraat Katilim's business, financial condition and/or results of operations.

***The outbreak of the COVID-19 pandemic has negatively affected the global and Turkish economy and financial markets and might continue to disrupt and/or otherwise negatively impact the operations of Ziraat Katilim and/or its clients***

The COVID-19 pandemic has caused significant disruption in the global and Turkish economy and financial markets. Within Türkiye and many of its important trading partners, the spread of COVID-19 has caused illness, quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, labour shortages, increased unemployment, supply chain interruptions and overall economic and financial market instability. In particular, the Turkish government imposed significant restrictions on activities in 2020 and early 2021, only lifting them gradually starting in May 2021 as local inoculation rates grew. The impacts of the pandemic might continue to materially and adversely impact Ziraat Katilim's business, financial condition and/or results of operations in the following ways, among others:

- reductions in business and consumer activity and financial transactions, which might lead to a reduction in demand for loans and/or Ziraat Katilim's banking services that generate fees and commission income,
- the quality of Ziraat Katilim's loans and other assets (and the value of collateral securing the same) might deteriorate, particularly in those sectors (such as automobiles, textiles, services, real estate and tourism) or those segments (such as the Bank's commercial segment) that are most dramatically impacted, which might lead (*inter alia*) to increases in provisions (including as a result of the temporary relief for recognition of NPLs), NPLs and/or reductions in customer payments (*e.g.*, loans under credit cards),
- to the extent that global trade and travel flows remain subdued for a prolonged period of time, potential overcapacity in tourism, transport and logistics infrastructure (including hotels and airports) might lead to a rapid decline in prices of these and other properties, which might then lead to a further deterioration of the asset quality of Ziraat Katilim's loan book and, in case of any restructuring with any borrowers resulting in more favourable terms to borrowers, might lead to a decrease in income for Ziraat Katilim,
- regulatory measures that seek to ease the impact of COVID-19 might (*inter alia*) affect customer demand for loans and/or services, affect pricing in Türkiye's competitive banking landscape, impose limitations on the Group's ability to enforce its contracts (including with respect to collateral) and/or, for temporary regulatory changes (*e.g.*, the rule announced by the BRSA on 23 March 2020 allowing banks to use 31 December 2019 exchange rates in certain capital and other calculations, which was then revised by the BRSA on 8 December 2020 (and further extended on 17 June 2021 and 16 September 2021) to allow banks to use the arithmetic mean of the Central Bank's foreign exchange buying rates during the previous 252 business days until such date as determined by the BRSA (on 21 December 2021, the BRSA announced that banks shall (if using this approach) use the average of the Central Bank's foreign exchange buying rates during the 252 business days ending on 31 December 2021, which (for U.S. dollars) was TRY 8.8470 as opposed to the spot exchange rate of TRY 13.0427 in effect on such date; on 28 April 2022, the BRSA amended this rule so that, until such date as determined by the BRSA, banks may use the Central Bank's foreign exchange rates as at 31 December 2021 (*e.g.*, TRY 13.3290/US\$1) in certain capital and other calculations and on 31 January 2023 the BRSA further amended this rule so that, until such date as determined by the BRSA, banks may use the Central Bank's foreign exchange buying rates as at 30 December 2022 (*e.g.*, TRY 18.6983/US\$1) in such calculations)), result in financial calculations that are not comparable to those of previous and later periods (including resulting in potentially material changes after such temporary measures terminate), alter the decision-making process of the Group, positively (but temporarily) increase capital levels and/or make it more difficult for investors to assess financial results on a comparative basis,
- sources of liquidity available to Turkish borrowers (including the Group) might be reduced and/or more expensive, including if sentiments in capital markets further deteriorate or international investors reduce their exposure to Türkiye,
- continued volatility of the Turkish Lira could affect Türkiye's current account deficit and/or the ability of Turkish borrowers to repay obligations denominated in (or linked to) foreign currencies,

which could impact not only Ziraat Katilim's own loan portfolio but also Türkiye's economy generally, including by way of increased unemployment, and/or

- some of Ziraat Katilim's operations might be impacted, such as due to illness among staff or the need to close or limit customer access to branches.

The future impact of the outbreak is highly uncertain and cannot be predicted. Due in part to the COVID-19 pandemic, Ziraat Katilim experienced an increase in its provisions for Stage 2 loans during 2020 and 2021, principally due to Ziraat Katilim's decisions to prepare for a potential decline in asset quality. Ziraat Katilim has exposure to certain sectors that are impacted the most by the COVID-19 pandemic, such as Ziraat Katilim's loans to the real estate, trade, transportation and tourism sectors.

As a result of the impact of the COVID-19 pandemic on Türkiye's fiscal position, the government temporarily increased the level of corporate income tax from 22 per cent for earlier fiscal periods to: (a) for the last three quarters of 2021, 25 per cent., (b) for 2022, 23 per cent., and (c) for 2023, 25 per cent. (30 per cent. for banks, including Ziraat Katilim, and certain other financial institutions), which increases have had and will continue to have a corresponding impact on the after-tax income of Ziraat Katilim and its corporate clients. Due to increasing COVID-19 infections, in April 2021, Türkiye introduced additional restrictive measures, including lockdowns and the closing of restaurants. There is no assurance that the outbreak will not lead to a further deterioration of the asset quality of Ziraat Katilim's loan portfolio or otherwise have a material adverse impact on Ziraat Katilim's business, financial condition and/or results of operations. The extent of the impact, if any, will depend upon future developments, including the speed and efficacy of vaccine programmes and other actions taken globally and within Türkiye to contain COVID-19 (including for strains such as Omicron sub-variant BA2, which has recently significantly impacted certain developing markets, and any further waves of infections and/or new variants).

It should be noted that the impact of COVID-19, including actions taken to contain it, might heighten many of the other risks noted within these Risk Factors, including through increasing both the probability of negative impacts as well as the severity of such impacts.

***Türkiye's high efforts to curb its current account deficit may result in governmental efforts to decrease economic activity***

Türkiye's current account deficit has long created a significant risk for the Turkish economy, including contributing to the country's need for external funding to support its balance-of-payment position. Due to ongoing weakness in economic activity, Türkiye's current account balance in 2019 showed a surplus of US\$5.3 billion according to the Central Bank, which was the first surplus since 2002, but then reverted to a deficit of US\$35.5 billion in 2020, which deficit was primarily due to a decrease in exports to Europe and significantly lower tourism revenues arising from the shutdowns for the COVID-19 pandemic (e.g., Türkiye's net tourism revenue fell by 59.3 per cent. in 2020 compared with 2019). During 2021, reflecting the recovery in global activity, the easing of lockdown measures and significant global policy stimulus, Türkiye's current account deficit declined to US\$7.2 billion as a result of increased exports, a moderation in imports (especially gold) and increased tourism revenues. During 2022, and despite an increase in export and tourism revenues, Türkiye's current account deficit increased to US\$56.4 billion due largely to the increase in energy prices (including resulting from the Russian invasion of Ukraine). Various events and circumstances, including (*inter alia*) a sustained rise in energy prices (particularly given the higher energy price environment in 2023 and the even higher prevailing prices following the Russian invasion of Ukraine), the increase in inflation worldwide (in particular, in energy prices and commodities), the increase in Türkiye's foreign trade and tourism revenues which were less than expected (including due to a resurgence of COVID-19 and the impact of the conflict between Russia and Ukraine), political risks and changes to Türkiye's macroeconomic policy (such as with respect to domestic interest rates), might result in an increase in the current account deficit. The current account deficit is a principal concern for Turkish policy makers as it increases Türkiye's vulnerability to changes in global macroeconomic conditions, and the Turkish government might take policy actions to reduce the current account deficit, including policies that might have a material negative impact on domestic growth and consumption. Any negative impact on economic growth or the introduction of policies that curtail the economy's activity might have a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations.

Although Türkiye's economic growth depends to some extent upon domestic demand, Türkiye's economy is also dependent upon trade, in particular with Europe. The EU remains Türkiye's largest export market. A significant decline in the economic growth of any of Türkiye's major trading partners, such as the EU,

might have an adverse impact on Türkiye's balance of trade and adversely affect Türkiye's economic growth. Diplomatic or political tensions between Türkiye and the EU (or any of its member states) or other countries might impact trade or demand for imports and exports. A decline in demand for imports into the EU or Türkiye's other trading partners might have a material adverse effect on Turkish exports and thus on Türkiye's economic growth and thereby result in an increase in Türkiye's current account deficit. To a lesser extent, Türkiye also exports to markets in Russia and the Middle East, and the continuing political and/or economic turmoil in certain of those markets might lead to a decline in demand for such imports, with a similar negative effect on Turkish economic growth and Türkiye's current account deficit.

Due to the negative impact of the global COVID-19 pandemic, Türkiye's tourism revenues and (in particular due to the EU being Türkiye's largest export market) export revenues experienced a significant decline in 2020, whereas (driven in large part by the import of gold) imports into Türkiye increased. In order to reduce the negative impact on Türkiye's current account deficit by decreasing the demand for imports into Türkiye and supporting domestic producers, the Turkish government imposed new (or increased) custom tax rates for numerous products.

If the value of the Turkish Lira relative to the U.S. dollar and other relevant trading currencies declines, then the cost of importing oil and other goods and services might increase, resulting in potential increases in Türkiye's current account deficit. As an increase in the current account deficit might erode financial stability in Türkiye, the Central Bank takes (and has taken) certain actions to maintain price and financial stability, which actions (including changes to interest rates and reserve requirements) might materially adversely affect the Bank's business, financial condition and/or results of operations.

Türkiye is an energy import-dependent country and recorded US\$80.1 billion of net energy imports in 2022, an increase from US\$42.2 billion of net energy imports in 2021, itself an increase from US\$24.2 billion of net energy imports in 2020. Although the government has been heavily promoting new domestic energy projects, and promising new fields have been identified in the Black Sea, these have not yet significantly decreased the need for imported energy and thus any geopolitical development concerning energy security might have a material impact on Türkiye's current account balance. Volatile oil and natural gas prices (including as a result of agreements among the members of the Organisation of the Petroleum Exporting Countries (OPEC) and/or other oil-exporting nations to cut output or any geopolitical development concerning energy security and prices, such as Russia's recent invasion of Ukraine, the United States' withdrawal from the Joint Comprehensive Plan of Action and re-imposing previously suspended secondary sanctions on Iran or the decision of the United States to impose sanctions on Venezuela), together with the Turkish Lira's depreciation against the U.S. dollar (in which most of Türkiye's energy imports are priced), might have a negative impact on Türkiye's current account deficit.

If the current account deficit widens, then financial stability in Türkiye might deteriorate. In addition, financing a current account deficit might be difficult in the event of a global liquidity crisis and/or declining interest or confidence of foreign investors in Türkiye, and a failure to reduce the current account deficit might have a negative impact on Türkiye's sovereign credit ratings. Any such difficulties might lead the Turkish government to seek to raise additional revenue to finance the current account deficit, reduce domestic demand and/or stabilise the Turkish financial system, any of which might materially adversely affect Ziraat Katılım's business, financial condition and/or results of operations.

***Türkiye's economy has been subject to significant inflationary pressures in the past and might become subject to significant inflationary pressures in the future***

The Turkish economy has been subject to significant inflation increases in recent years which might continue (including at elevated levels). In 2020, the annual CPI inflation rate was 14.6 per cent. and domestic producer price inflation was 25.15 per cent., reflecting primarily an increase in food, energy and commodity prices (including due to the depreciation of the Turkish Lira). In 2021, the CPI inflation rate surged to 36.08 per cent., reflecting primarily an increase in the prices of food, energy, consumer durables and transportation, which increases resulted from the depreciation of the Turkish Lira, the impact of disruptions in supply chains, the rise in government-administered prices and the reopening of the Turkish economy from COVID-19-related restrictions. In 2022, the CPI inflation rate was 64.27 per cent. and the domestic producer price inflation rate was 97.72 per cent. (it should be noted that this is the official inflation rate whereas other analysts have published different rates, in some cases significantly higher than the official rate), again reflecting significant increases in the prices of food, energy and imported products. As of August 2023, annual CPI inflation rate has reached 58.94 per cent., primarily driven by pass-through effects from the depreciation of the Turkish Lira, rising food and durable goods prices.

On 4 May 2023, the Central Bank published an inflation report indicating an inflation forecast of 22.3 per cent., 8.8 per cent. and 5.0 per cent. in 2023, 2024 and 2025, respectively. On 27 July 2023, the Central Bank released the third Inflation Report of 2023 which stated that inflation is projected to be 58.0 per cent. at the end of 2023 and expected to fall to 33.0 per cent. by the end of 2024 and 15.0 per cent. by the end of 2025. While the Bank's management expects inflation to remain steady or slightly decline in the remainder of 2023, inflation might continue at an elevated, or even higher, pace due to potential higher food inflation (in part due to droughts, wildfires, logistics obstacles and other supply side challenges), cost push factors (where sellers pass along increasing costs to their customers) and/or worsening inflation expectations. In addition, high inflation levels in Türkiye since 2022 and 2022 matched with lower policy rates compared to inflation have resulted in a de-linking of market interest rates in Türkiye from Central Bank rates since market participants set borrowing and lending rates on broader market conditions, including expectations regarding inflation.

High inflation rates might distort Ziraat Katilim's results of operations, with nominal growth rates of Ziraat Katilim's balance sheet and profitability significantly exceeding the rates as measured on a constant-currency basis. Moreover, should conditions in Türkiye meet the criteria of IAS 29 (Financial Reporting in Hyperinflationary Economies), which includes three-year cumulative inflation rates exceeding 100 per cent., Ziraat Katilim might be required to restate its financial statements based upon a price index, which might materially impact Ziraat Katilim's reported financial results.

Significant global price increases in major commodities such as oil, cotton, corn and wheat would be likely to increase inflation pressures in Türkiye. Such inflation, particularly if combined with further depreciation of the Turkish Lira, might result in Türkiye's inflation exceeding the Central Bank's inflation target, which might cause the Central Bank to modify its monetary policy. Inflation-related measures that might be taken by the Central Bank and/or other Turkish authorities might have an adverse effect on the Turkish economy. If the level of inflation in Türkiye were to continue to fluctuate or increase significantly, then this might have a material adverse effect on the Group's business, financial condition and/or results of operations.

***Certain sectors of the Turkish economy might have been or become overdeveloped, which might result in a negative impact on the Turkish economy***

Certain sectors of the Turkish economy might have been (or might become) overdeveloped, including in particular the construction of luxury residences, shopping centres, office buildings, travel and tourism facilities and other real estate-related projects and various renewable energy-related projects. For example, significant growth in the number of hotels occurred over recent years in anticipation of a continuing growth in international tourism, whereas in fact tourism declined very significantly due to the COVID-19 pandemic, including the related travel restrictions, and can be significantly impacted by geopolitical conditions. Any such overdevelopment might lead to a rapid decline in prices of these and other properties or the failure of some of these projects, which might then lead to a deterioration of the asset quality of Turkish banks and, in case of any restructuring with any borrowers resulting in more favourable terms to borrowers, might lead to a decrease in income for Turkish banks. Even if this does not occur, the pace of development of such projects might decline in coming years as developers and project sponsors seek to reduce their risk, which might negatively affect the growth of the Turkish economy. Should any of such events occur, then this might have a material adverse effect on Ziraat Katilim's business, financial condition and/or results of operations.

**Risks factors relating to the Turkish banking industry**

***The Turkish banking sector has exhibited significant volatility in the past and may exhibit significant volatility in the future***

The significant volatility in the Turkish currency and foreign exchange markets experienced in 1994, 1998 and 2001, combined with the short foreign exchange positions held by many Turkish banks at those times, affected the profitability and liquidity of certain Turkish banks. Following the crisis in 2001, the Government made structural changes to the Turkish banking system to strengthen the entire banking sector including a revised regulatory framework, recapitalisation and the closure of financially weak banks. Notwithstanding such changes, the Turkish banking sector remains subject to volatility.

If the general macro-economic conditions in Türkiye, and the Turkish banking sector in particular, were to suffer another period of volatility, there can be no assurance that this would not result in further bank

failures, reduced liquidity and weaker public confidence in the Turkish banking system. See "*The Turkish economy is subject to significant macroeconomic risks*" for further details.

Ziraat Katilim is subject to a number of banking, consumer protection, competition/antitrust and other laws designed to maintain the safety and financial stability of banks, ensure their compliance with economic and other obligations and limit their exposure to risk. These laws include Turkish laws (in particular those of the BRSA) as well as the laws of other countries in which Ziraat Katilim conducts business. These laws, which can increase the cost of doing business and limit Ziraat Katilim's activities, include (*inter alia*):

- (a) the Regulation on the Equity of Banks which was published in the Official Gazette No. 28756 dated 5 September 2013 (the "**Equity Regulation**") and the Capital Adequacy Regulation; the Equity Regulation introduced: (i) core tier 1 capital and additional tier 1 capital as components of tier 1 capital and (ii) new tier 2 rules and determined new criteria for debt instruments to be included in a bank's tier 2 capital, whereas the Capital Adequacy Regulation requires a minimum core capital adequacy ratio (4.5 per cent.) and a minimum tier 1 capital adequacy ratio (6.0 per cent.) to be calculated on a consolidated and non-consolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and changed the risk weights of certain items that are categorised under "other assets," with the BRSA amending its guidance on 24 February 2017 to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0 per cent. risk weight;
- (b) a regulation dated 23 February 2016 (the "**D-SIBs Regulation**") regarding systemically important banks ("**D-SIBs**"), which regulation introduced additional capital requirements for D-SIBs in line with the requirements of Basel III (as of the date of this Prospectus, the Bank has been classified as a D-SIB under the D-SIBs Regulation),
- (c) the BRSA's: (i) decision dated 18 December 2015 (No. 6602) regarding the procedures for and principles on calculation, application and announcement of a countercyclical capital buffer and (ii) decision dated 24 December 2015 (No. 6619) regarding the determination of such countercyclical capital buffer (together, the "**BRSA Decisions on the Countercyclical Capital Buffer**"), pursuant to which decisions the countercyclical capital buffer for Turkish banks' (including the Bank's) exposures in Türkiye was initially set at 0 per cent. of a bank's risk-weighted assets in Türkiye (effective as of 1 January 2016); however, such ratio can fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA,
- (d) the Regulation on Measurement of Liquidity Coverage Ratio of Banks published in the Official Gazette No. 28948 dated 21 March 2014 (the "**Regulation on Liquidity Coverage Ratios**") in order to ensure that bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for a 30 calendar day period, according to which regulation the liquidity coverage ratios of banks is not permitted to fall below 100 per cent. on an aggregate basis and 80 per cent. on a foreign currency-only basis,
- (e) the Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside (the "**Classification of Loans and Provisions Regulation**"), which entered into effect as of 1 January 2018 in order to ensure compliance with the requirements of TFRS and the Financial Sector Assessment Programme, which is a joint programme of the International Monetary Fund and the World Bank; this regulation required banks to adopt TFRS 9 principles (unless an exemption is granted by the BRSA) related to the assessment of credit risk and to account for expected credit losses in line with such principles,
- (f) in early 2020, there came into force new limitations to be determined by the Central Bank on certain fees and commissions that Turkish banks may charge to customers, including limitations on fees for electronic funds transfers, and (in August 2021) the Central Bank (though increasing the fees that can be charged for ATM usage and commissions that can be collected from the use of point of sale ("**POS**") systems) introduced further limits, which limitations might negatively impact the fees and commissions earned by Ziraat Katilim,
- (g) on 10 June 2022, the Central Bank issued the Communiqué on the Maintenance of Turkish Lira Securities for Foreign Currency Liabilities (the name of which was later changed to Communiqué on the Maintenance of Securities) (as amended on 18 October 2022, 31 December 2022, 7 January 2023, 7 April 2023, 17 May 2023, 25 June 2023, 25 July 2023, and 20 August 2023, the

"Communiqué on the Maintenance of Securities"). Pursuant to the Communiqué on the Maintenance of Securities (as amended on 31 December 2022), effective from 24 June 2022, each Turkish bank is required to hold with the Central Bank long-term Turkish Lira-denominated securities issued by the Turkish government (including lease certificates issued by Undersecretariat of Treasury Asset Leasing Company) for the foreign currency deposits, participation funds and precious metals accounts held with such bank (excluding those of certain depositors, including the Central Bank itself, the Turkish Treasury, certain other governmental entities, other Turkish banks and non-citizens, and such deposits/funds/accounts funded by foreign direct investments as determined by the Central Bank) as well as the funds from foreign exchange-denominated repo transactions. Pursuant to amendments to the Communiqué on the Maintenance of Securities made on 25 June 2023 and 20 August 2023, each Turkish bank is required to hold an amount of such securities equal to 5 per cent. of the amount of the foreign currency deposits, participation funds and precious metals accounts held by the relevant customers with such bank as well as the funds from foreign exchange denominated repo transactions, and

- (h) as part of the government's effort to de-dollarise the economy, on 24 June 2022 (as amended on 7 July and 21 October 2022), the BRSA announced that non-financial institutions and companies that are subject to an independent audit and have foreign currency assets (which include (*inter alia*) gold, cash, deposits, securities but excluding foreign currency-denominated securities issued by Türkiye itself) of the equivalent of at least TRY 10 million at the time of loan application are not permitted to receive Turkish Lira-denominated commercial cash loans (including swap transactions) from Turkish banks and financial leasing, factoring and financing companies if such foreign currency assets exceed 5 per cent. of the higher of their total assets and net sales revenue for the most recent financial year; the BRSA has, however, provided an exception for companies with such foreign currency assets of at least TRY 10 million but who are not permitted to borrow foreign currency-denominated loans due to restrictions imposed by applicable laws at the time of the loan application, which companies are permitted to borrow Turkish Lira denominated commercial cash loans in an amount up to the amount of their three month foreign currency net position deficit as declared by the company at the time of loan application and confirmed by the company's independent auditors or a certified public accountant at the end of every three month period.

Such measures might also limit or reduce growth of the Turkish economy and, consequently, the demand for Ziraat Katilim's products and services. Furthermore, as a consequence of certain of these changes, Ziraat Katilim might be required to increase its capital reserves and/or might need to access more expensive sources of financing to meet its regulatory liquidity and capital requirements, which in turn might have an adverse impact on its level of profitability. New or revised laws also might increase Ziraat Katilim's cost of doing business and/or limit its activities, such as the Central Bank's frequent changes to monetary policy and reserve requirements. For example, the Turkish government (including the BRSA and the Central Bank) has introduced (and might introduce in the future) laws that impose limits with respect to fees and commissions charged to customers, increase the monthly minimum payments required to be paid by holders of credit cards or increase reserves. Ziraat Katilim might not be able to pass on any increased costs associated with such regulatory changes to its customers, particularly given the high level of competition in the Turkish banking sector. Accordingly, Ziraat Katilim might not be able to sustain its level of profitability in light of these regulatory changes and Ziraat Katilim's profitability might be materially adversely impacted until (if ever) such changes can be incorporated into Ziraat Katilim's pricing (and even then such changes might affect Ziraat Katilim's profitability as increased pricing for customers might reduce customer demand for Ziraat Katilim's products and services).

Any failure by Ziraat Katilim to adopt adequate responses to these or future changes in the regulatory framework (whether in Türkiye or any other jurisdiction in which Ziraat Katilim operates) might have an adverse effect on Ziraat Katilim's business, financial condition and/or results of operations. In addition, non-compliance with laws might expose Ziraat Katilim to potential liabilities and fines and/or damage its reputation.

***The activities of Ziraat Katilim are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on Ziraat Katilim's business***

Ziraat Katilim is subject to a number of banking and other regulations designed to maintain the safety and financial stability of banks, ensure their compliance with economic and other obligations and limit their

exposure to risk (see "*Turkish Regulatory Environment*"). These regulations include Turkish laws and regulations (and in particular those of the BRSA), as well as laws and regulations of certain other countries where Ziraat Katilim and its subsidiaries conduct business.

The Banking Law, which was approved by the Turkish Parliament on 19 October 2005 and published in the Official Gazette on 1 November 2005, replaced the previous Banks Act No. 4389 (the "**Banks Act**") and was designed to address the dynamic nature of the banking sector and international financial and economic developments and to operate in parallel with EU banking laws and regulations as well as international banking standards. Compared to its predecessor, the Banking Law is much more comprehensive and detailed. EU banking directives, international rules and standards and relevant country laws and applications were taken into account during the preparation of the Banking Law. The objective of the Banking Law is to maintain the safety and soundness of Turkish financial markets and the Turkish credit system and to protect the rights and interests of investors. Under the Banking Law, customers' rights are regulated with new principles; measures that are to be taken against systemic risk were introduced; honesty, competence, transparency, confidentiality and ethical principles were made legal obligations; and an extensive list of judicial offences was defined, which may lead to heavy penalties. The Banking Law also places a strong emphasis on remedial measures for banks in financial difficulty.

New laws and regulations may increase Ziraat Katilim's cost of doing business or limit its activities. The BRSA continuously conducts examinations of all banks operating in Türkiye. Even small credit deteriorations are closely monitored by the BRSA. Financial information, total capital ratios, open positions, liquidity, interest rate risks and loan portfolios are followed up in detail at frequent intervals. Although Ziraat Katilim has implemented procedures to monitor these issues, there can be no guarantee that Ziraat Katilim will not breach the ratios and limits set by the regulator.

***The policy of the Turkish Central Bank on reserve requirements and interest rates could negatively affect Ziraat Katilim's business, financial condition, results of operations and prospects***

The Turkish Central Bank has adjusted reserve requirement ratios as a policy tool at various times in the past several years to reduce or encourage certain actions by the banking sector, including both deposit and financing activity. The adjustments in reserve requirement ratios have frequently been combined with changes in the Turkish Central Bank's interest rate and liquidity management policies. Such actions directly impact the profitability of banking products and services and can impact Ziraat Katilim's strategy. For example, reserve requirement ratios for Turkish Lira deposits have increased several times over past years and the reserve requirement ratios for foreign currency denominated liabilities of banks and financing companies were revised in order to encourage the extension of maturities of non-core liabilities. Such actions had the impact of requiring Ziraat Katilim to hold larger reserves with the Turkish Central Bank. If Ziraat Katilim is not able to increase the term of its deposits or obtain additional sources of financing, its reserve requirements and associated costs may remain elevated or increase further, which could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

The Turkish Central Bank has also used unconventional policy tools from time to time, including the foreign exchange-protected Turkish Lira deposit scheme and various measures aimed at limiting loan pricing in 2022 and 2023, which have impacted the financial condition and profitability of the Turkish banking sector.

On 16 January 2020, the Turkish Central Bank decreased the policy rate by 75 basis points to 11.25 per cent. and then further reduced it on 19 February 2020 to 10.75 per cent., on 17 March 2020 to 9.75 per cent., on 22 April 2020 to 8.75 per cent. and on 21 May 2020 to 8.25 per cent.. These decreases were followed on 24 September 2020 by an increase to 10.25 per cent., on 19 November 2020 by an increase to 15.00 per cent., on 24 December 2020 by an increase to 17.00 per cent. and a further increase to 19.00 per cent. in March 2021; however, the Central Bank then made a 100 basis point reduction to 18.00 per cent. in September 2021, a further 200 basis point reduction to 16.00 per cent. in October 2021, an additional 100 basis point reduction to 15.00 per cent. in November 2021 and a further 100 basis point reduction to 14.00 per cent. in December 2021, all followed in 2022 with reductions to 13.00 per cent. on 18 August 2022, 12.00 per cent. on 22 September 2022, 10.50 per cent. on 20 October 2022, 9.00 per cent. on 24 November 2022 and 8.50 per cent. on 23 February 2023, which might change demand for imports, adversely affect Türkiye's economic growth, negatively impact the Turkish Lira's exchange rate and/or result in downward pressure on Ziraat Katilim's net interest margin. After the presidential elections in May 2023 and the subsequent appointment of Mrs. Hafize Gbye Erkan as the new Central Bank chief, the Central Bank increased the rate to 15.00 per cent. on 22 June 2023, further raised to 17.5 per cent. on 20 July 2023, 25.00 per cent. on 24 August 2023 and then 30.00 per cent. on 21 September 2023; however, such remains

well below the level of inflation. There has been a de-linking of market interest rates in Türkiye from Central Bank policy rates in 2022 and 2023, which has had various effects, including resulting in very positive returns on CPI-linked securities and increased profitability of Turkish banks in Turkish Lira terms.

Changes in interest rates may impact a number of aspects of Ziraat Katilim's business, such as deposits and loans. (See "*The activities of Ziraat Katilim are highly regulated and changes to applicable laws or regulations, the interpretation or enforcement of such laws or regulations or the failure to comply with such laws or regulations could have an adverse impact on Ziraat Katilim's business*".)

Any failure by Ziraat Katilim to adopt adequate responses to these or other future changes in Turkish monetary policy could have a material adverse effect on Ziraat Katilim's business, financial condition, results of operations and prospects.

***Turkish banking regulation is administered on the basis of BRSA accounting principles***

Ziraat Katilim's primary regulator, the BRSA, uses the financial statements prepared in accordance with the BRSA Principles to assess Ziraat Katilim's compliance with banking regulations and capital adequacy requirements. Therefore, the results of operations and financial condition of Ziraat Katilim as reflected in the BRSA financial statements might not reflect Ziraat Katilim's business, results of operations or financial condition as used to determine Ziraat Katilim's performance under, and in compliance with, Turkish regulations. In addition, Ziraat Katilim uses its BRSA financial statements to determine whether, and to what extent, it can undertake certain activities, such as paying dividends to shareholders.

***Ziraat Katilim may be unable to maintain or secure the necessary licences for carrying on its business***

All banks established in Türkiye require licensing by the BRSA. Each of Ziraat Katilim and, to the extent applicable, each of its subsidiaries has a current Turkish and/or other applicable licence for all of its banking and other operations. Ziraat Katilim believes that it and each of its subsidiaries is currently in compliance with its existing material licence and reporting obligations. If Ziraat Katilim and, to the extent applicable, any of its subsidiaries were to suffer a future loss of any licence, breach the terms of any licence or fail to obtain any further required licences, then this could have a material adverse effect on Ziraat Katilim's business, financial condition and results of operations.

***International investors might view Türkiye negatively based upon adverse events in other emerging markets***

In general, investing in the securities of issuers that have operations primarily in emerging market countries like Türkiye involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the countries of the EU or other similar jurisdictions. The market for securities issued by Turkish companies is influenced not only by economic and market conditions in Türkiye but also market conditions in other emerging market countries or in the United States and the EU. For example, developments or economic conditions in one or more other emerging market(s) have at times adversely affected the prices of securities from, and the availability of credit to, other emerging market countries as investors move their money to countries that are perceived to be more stable and economically developed. An increase in the perceived risks associated with investing in emerging economies might dampen capital flows to Türkiye and/or otherwise adversely affect the Turkish economy. As a result, investors' interest in the Certificates (and thus the market price of an investment in the Certificates) might be subject to fluctuations that might not necessarily be related to economic conditions in Türkiye or the financial performance of Ziraat Katilim. There can be no assurance that investors' interest in Türkiye in general, and the Certificates in particular, will not be negatively affected by events in other emerging markets or the global economy in general.

***Risk factors relating to the Certificates***

***The Certificates are limited recourse obligations***

The Certificates are not debt obligations of the Issuer. Instead, the Certificates represent an undivided ownership interest solely in the Lease Certificate Assets. Recourse to the Issuer in respect of the Certificates is limited to the Lease Certificate Assets and the proceeds of such Lease Certificate Assets are the sole source of payments on the Certificates. Upon the occurrence of a Dissolution Event, the sole rights of each of the Representative and, through the Representative, the Certificateholders, will be against Ziraat Katilim to perform its obligations under the Transaction Documents to which it is a party. Certificateholders will

otherwise have no recourse to any assets of the Issuer or Ziraat Katılım in respect of any shortfall in the expected amounts due under the Lease Certificate Assets.

Ziraat Katılım is obliged to make certain payments under the Transaction Documents to which it is a party directly to the Issuer, and the Representative (acting on behalf of the Certificateholders) will have recourse against Ziraat Katılım to recover such payments due to the Issuer pursuant to the Transaction Documents to which it is a party. No Certificateholder shall be entitled to proceed directly against the Issuer or Ziraat Katılım under the Certificates or any Transaction Document, unless the Representative, having become bound so to proceed, (i) fails to do so within 30 days of becoming so bound, or (ii) is unable by reason of an order of a court having competent jurisdiction and such failure or inability is continuing. Furthermore, there is no assurance that the net proceeds of any enforcement action with respect to the Lease Certificate Assets (which, as described above, will be by way of enforcing each of Ziraat Katılım's and the Issuer's respective obligations under the Transaction Documents to which they are a party) will be sufficient to make all payments due in respect of the Certificates.

After enforcing the rights in respect of the Lease Certificate Assets (in the manner described above) and distributing the net proceeds of such Lease Certificate Assets in accordance with Condition 6.3 (*Application of Proceeds from the Lease Certificate Assets*), the obligations of the Issuer in respect of the Certificates shall be satisfied and neither the Representative nor any Certificateholder may take any further steps against the Issuer to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. Furthermore, under no circumstances shall the Issuer, the Representative or any Certificateholder have any right to cause the sale or other disposition of any of the Lease Certificate Assets except pursuant to the Transaction Documents. The sole right of the Issuer, the Representative (acting on behalf of the Certificateholders) and the Certificateholders against Ziraat Katılım shall be to enforce the obligations of Ziraat Katılım under the Transaction Documents to which it is a party.

#### ***Consents to variation of the Conditions, the Certificates and the Transaction Documents***

The Conditions, the Certificates, the provisions of the Representative Agreement or any other Transaction Document can only be amended by Ziraat Katılım and the Issuer with the prior written consent of the Representative. The Representative may agree, without the consent of the Certificateholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the Conditions, the Certificates, the Representative Agreement or any other Transaction Document or determine, without any such consent or sanction as aforesaid, that any Dissolution Event shall not be treated as such, if, in the opinion of the Representative (a) such modification is of a formal, minor or technical nature or is made to correct a manifest error or (b) such modification, waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders and is other than in respect of a Reserved Matter, provided that, in the case of paragraph (b) above, no such modification, waiver, authorisation or determination may be made in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Certificates.

Any such modification, waiver, authorisation or determination may be made on such terms and subject to such conditions (if any) as the Representative may determine, shall be binding upon the Certificateholders and shall as soon as practicable thereafter be notified by the Issuer to Certificateholders in accordance with Condition 18 (*Notices*). Further, any such modification, waiver, authorisation or determination in relation to any Certificates may adversely affect their trading price.

#### ***Credit ratings assigned to Ziraat Katılım or any Certificates do not reflect all the risks associated with an investment in the Certificates and may be subject to revision or withdrawal***

One or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of payment under the Certificates and may be revised, suspended or withdrawn by the assigning rating agency at any time. Neither the Issuer nor Ziraat Katılım has any obligation to inform Certificateholders of any revision, downgrade or withdrawal of its current or future credit ratings. A suspension, downgrade or withdrawal at any time of a credit rating assigned to Ziraat Katılım and/or the Certificates may adversely affect the trading price of the Certificates.

In general, European regulated investors are restricted under the EU CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction may also apply in the case of credit ratings issued by non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant non-EEA third country rating agency is certified in accordance with the EU CRA Regulation (and such endorsement action or certification, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the EU CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Prospectus.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to: (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended; and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre-2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency which is rating the Certificates changes, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Certificates may have a different regulatory treatment. This may result in relevant regulated investors selling the Certificates which may impact the value of the Certificates and any secondary market.

***Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures***

The Certificates will be represented on issue by a Global Certificate deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg (see further Condition 2.1 (*Form and Denomination*) and "*Global Certificate*"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the beneficial interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Issuer will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Certificates. Neither the Issuer nor Ziraat Katılım has any responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

***Absence of secondary market or limited liquidity***

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realise a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates.

The Issuer and Ziraat Katılım have applied for Certificates to be admitted to listing on the Official List and to trading on the regulated market of Euronext Dublin however, prospective investors should note that there can be no assurance that such admission to trading will occur or, if it occurs, can be maintained or that it will enhance the liquidity of the Certificates. The absence of a listing on the Official List and/or admission to trading on the regulated market of Euronext Dublin may have an adverse effect on a Certificateholder's ability to hold, or resell, and the value of, the Certificates.

Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates.

***Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade***

The minimum denomination of the Certificates is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a face amount of less than U.S.\$200,000 would need to purchase a face amount of Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

***The Certificates may be subject to early dissolution***

The Certificates may be redeemed prior to the Scheduled Dissolution Date as further described in Condition 11 (*Capital Distributions*). If the Certificates are redeemed in such circumstances, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

***There is no assurance that the Certificates will be compliant with the principles of Shari'a***

Each of the Internal Sharia Supervisory Committee of Dubai Islamic Bank PJSC, the Internal Shari'a Supervision Committee of Emirates NBD – Islamic, the HSBC Global Shariah Supervisory Committee and the Global Shariah Supervisory Committee of Standard Chartered Bank has confirmed that the Transaction Documents are, in their view, compliant with the principles of *Shari'a* as applicable to, and as interpreted by, them. However, there can be no assurance that the Transaction Documents or any issue and trading of any Certificates will be deemed to be *Shari'a* compliant by any other *Shari'a* board or *Shari'a* scholars. None of Ziraat Katılım, the Issuer, the Representative, the Joint Lead Managers or the Agents makes any representation to potential investors as to the *Shari'a* compliance of any Certificates and/or any trading thereof, the Transaction Documents or the above pronouncements and potential investors are reminded that, as with any *Shari'a* views, differences in opinion are possible and different *Shari'a* standards may be applied by different *Shari'a* boards. In addition, none of the Representative, the Joint Lead Managers or the Agents will have any responsibility for monitoring or ensuring compliance with any *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*) nor shall it be liable to any Certificateholder or any other person in respect thereof. Potential investors should not rely on the above pronouncements in deciding whether to make an investment in the Certificates and should obtain their own independent *Shari'a* advice as to the compliance of the Transaction Documents and whether the Certificates will meet their individual standards of compliance and the issue and trading of the Certificates with *Shari'a* principles, including the tradability of the Certificates on any secondary market. Questions as to the *Shari'a* compliance of the Transaction Documents or the *Shari'a* permissibility of the issue and the trading of the Certificates may limit the liquidity and adversely affect the market value of the Certificates.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties under the Transaction Documents or the Certificates shall, if in dispute, be referred to, and finally resolved by the English courts (or in the case of the Purchase Agreement and any Sale Agreement or Transfer Agreement entered into pursuant to the Purchase Undertaking or Sale and Substitution Undertaking, by the Istanbul Central (Çağlayan) Courts). In such circumstances, the relevant courts will apply the relevant law of the relevant Transaction Document and/or the Certificates in determining the obligations of the parties.

### ***No third-party guarantees***

Investors should be aware that no guarantee is or will be given in relation to the Certificates by the shareholders of the Ziraat Katılım or any other person.

### **Risks factors relating to the Sukuk Assets and limited rights of enforcement**

#### ***Ownership over the Portfolio Assets***

In order to comply with the requirements of *Shari'a*, the proceeds of issuance of the Certificates are required to be applied by the Issuer towards the acquisition of the Sukuk Assets and, once the Issuer acquires the Sukuk Assets (in the manner described herein), the Certificateholders will have the right to receive from the Issuer the economic benefit of the use of the Sukuk Assets. The Issuer is required to hold its interests in the Sukuk Assets in its own name and on its own behalf and for the account and benefit of the Certificateholders pursuant to the Representative Agreement. Each Certificate will evidence the entitlement of each Certificateholder to an undivided interest in the Sukuk Assets on a *pro rata* basis unless transfer of such interests and rights in, to and under the Sukuk Assets is prohibited by, or ineffective under, any Turkish law that may be applicable (see "*Transfer, possession, custody or control of the Portfolio Assets*" below). However, the Certificateholders will have no direct recourse over the Sukuk Assets under Turkish law. The income from the Sukuk Assets, together with any capital arising from the disposal of any Sukuk Assets, shall be for the Issuer and for the account and benefit of the Certificateholders.

Limited investigation or enquiry will be made and limited due diligence will be conducted in respect of any Portfolio Assets comprised within the Initial Assets Portfolio. The Portfolio Assets will be selected by Ziraat Katılım, and the Certificateholders, the Issuer and the Representative will have no ability to influence such selection. Only limited representations will be obtained from Ziraat Katılım in respect of the Portfolio Assets. In particular, the precise terms of the Portfolio Assets will not be known (including whether there are any restrictions on transfer or any further obligations required to be performed by Ziraat Katılım to give effect to the transfer of the Portfolio Assets). No steps are intended to be taken to perfect the transfer of the ownership interest (including registration) in the Portfolio Assets with any relevant regulatory authority in Türkiye or otherwise give notice to any lessee in respect thereof. Furthermore obligors and lessees may have rights of set-off or counterclaim against Ziraat Katılım in respect of the Portfolio Assets. Therefore, other than from a *Shari'a* perspective, Certificateholders shall not have any interest in any Portfolio Assets which require perfection in order to legally transfer any ownership interest therein.

#### ***Transfer, possession, custody or control of the Portfolio Assets***

Limited investigation has been or will be made by the Issuer, Ziraat Katılım or the Joint Lead Managers (and for the avoidance of doubt the Representative and the Agents have made no investigation) as to whether any interest in any Portfolio Assets may be transferred as a matter of the law governing the contracts (if any) underlying such Portfolio Assets, the law of the jurisdiction where such assets are located or any other relevant law. No investigation has been or will be made by the Issuer, the Joint Lead Managers or the Representative as to whether Ziraat Katılım has or will continue to have actual or constructive possession, custody or control of any Portfolio Assets. In addition, limited investigation will be made by the Issuer and Ziraat Katılım (and for the avoidance of doubt the Joint Lead Managers, the Representative and the Agents have made no investigation) to determine if any Purchase Agreement will have the effect of transferring an interest in the relevant Portfolio Assets. If a legal action is brought seeking to question the validity or enforceability of any interest in the Portfolio Assets, there can be no assurance that a court would recognise the validity of the sale and purchase over the Portfolio Assets either as between the parties or as against the rights of third parties.

Upon any Dissolution Event, the Certificateholders will not have any right of enforcement against the Portfolio Assets. Their rights are limited to: (i) in circumstances where the Representative, having become bound so to direct the Issuer to proceed against the Obligor, fails to do so within 30 days of becoming so bound and such failure is continuing, to itself direct the Issuer to enforce the Obligor's obligation to purchase the Portfolio Assets pursuant to the terms of the Purchase Undertaking; and (ii) upon any failure to comply

with the Obligor's obligations under the Transaction Documents as described in this Prospectus, a *pro rata* share of the proceeds of the enforcement thereof.

***Limitations relating to the indemnity provisions under the Purchase Undertaking and the Representative Agreement***

Ziraat Katılım has covenanted in the Purchase Undertaking that: (a) if, at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, Ziraat Katılım remains in actual or constructive possession, custody or control of all or any part of the Portfolio Assets the Portfolio Assets specified in the relevant Exercise Notice (as the case may be); and (b) if following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the relevant Exercise Price is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever, Ziraat Katılım shall (as an independent, severable and separately enforceable obligation) fully indemnify the Issuer for the purpose of redemption in full of the outstanding Certificates or the relevant Certificates specified in the relevant Exercise Notice or funding the Remaining Periodic Distribution Shortfall, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the relevant Exercise Price, as the case may be.

Subject to the satisfaction of the conditions set out in the above paragraph, if Ziraat Katılım fails to pay the relevant Exercise Price, in accordance with the Purchase Undertaking, the Representative (on behalf of the Certificateholders) may, subject to the matters set out in Condition 15 (*Dissolution Events*) and the terms of the Representative Agreement, seek to enforce, *inter alia*, the provisions of the Purchase Undertaking against Ziraat Katılım by commencing legal proceedings.

However, investors should note that, in the event that Ziraat Katılım (acting in any capacity) does not remain in actual or constructive possession, custody or control of all or any part of the Portfolio Assets or the Portfolio Assets specified in the relevant Exercise Notice (as the case may be) at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, the condition in (a) as described above will not be satisfied and, therefore, no amounts will be payable by Ziraat Katılım under the separate indemnity provisions.

Accordingly, in such event, the Representative (on behalf of the Certificateholders) may be required to establish that there has been a breach of contract by Ziraat Katılım in order to prove actual damages. Such breach of contract may be due to: (i) a breach by Ziraat Katılım of the requirement to purchase the Issuer's rights, title, interest, benefits and entitlements in, to and under the Portfolio Assets or the Portfolio Assets specified in the relevant Exercise Notice (as the case may be) on the relevant date pursuant to the provisions of the Purchase Undertaking; and/or (ii) a breach by Ziraat Katılım of its undertaking to maintain actual or constructive possession, custody or control of the Portfolio Assets, in each case in accordance with the terms of the Service Agency Agreement.

As a result, the Representative (on behalf of the Certificateholders) may not be able to recover, or may face significant challenges in recovering, an amount equal to the relevant Exercise Price, and in turn, the amount payable to the Certificateholders upon redemption.

***The occurrence of a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates***

Following the occurrence of a Tangibility Event, the Certificateholders will be promptly notified: (a) that a Tangibility Event has occurred; (b) that, as determined in consultation with Ziraat Katılım's *Shari'a* Advisory Board, the Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis); (c) that, on the date falling 15 days following the Tangibility Event Put Right Date, the Certificates will be delisted from any stock exchange on which the Certificates have been admitted to trading or if such date is not a business day, the next following business day ("business day" being, for this purpose, a day on which the stock exchange on which the Certificates are admitted to listing is open for business); and (d) of the Tangibility Event Put Period, during which period any Certificateholder shall have the right to require the redemption of all or any of its Certificates. Upon receipt of such notice, the Certificateholders may elect, within the Tangibility Event Put Period, for all or any of their Certificates to be redeemed in accordance with the Conditions. Accordingly, a Tangibility Event may have a significant adverse effect on the liquidity and market value of the Certificates.

## **Risk factors relating to taxation**

### ***Taxation risks on payments***

Payments made by Ziraat Katılım to the Issuer under the Transaction Documents to which it is a party, by the Issuer in respect of the Certificates, or revenues generated by the Lease Certificate Assets and received by the Service Agent, could become subject to withholding or deduction for or on account of taxation. The Transaction Documents require Ziraat Katılım (in its respective capacities) to pay additional amounts in the event that any withholding or deduction is required by applicable law to be made in respect of payments made by it to the Issuer which are intended to fund Periodic Distribution Amounts and Dissolution Distribution Amounts. Condition 13 (*Taxation*) provides that the Issuer is required to pay additional amounts in respect of any such withholding or deduction imposed by Turkish law in certain circumstances. In the event that the Issuer fails to pay additional amounts for any such withholding or deduction on payments due in respect of the Certificates to Certificateholders, Ziraat Katılım has unconditionally and irrevocably undertaken (irrespective of the payment of any fee), as a continuing obligation, to pay to the Issuer (for the benefit of the Certificateholders) an amount equal to the liabilities of the Issuer in respect of any and all additional amounts required to be paid in respect of the Certificates pursuant to Condition 13 (*Taxation*) in respect of any withholding or deduction in respect of any tax as set out in that Condition.

If Ziraat Katılım has or will become obliged to pay additional amounts to ensure that the funds available to the Issuer are sufficient to pay the relevant Periodic Distribution Amount or the relevant Dissolution Distribution Amount pursuant to Condition 13 (*Taxation*) and such obligation cannot be avoided by the Issuer taking reasonable measures available to it, then in such circumstances Condition 11.2 (*Early Dissolution for Tax Reasons*) provides that Ziraat Katılım has the option to require the Issuer to redeem the Certificates prior to their scheduled maturity.

In such circumstances, an investor may not be able to reinvest the redemption proceeds at an effective profit rate as high as the profit rate on the Certificates being redeemed and may only be able to do so at a significantly lower rate, which may have an adverse effect on the position of such investor. During any period when Ziraat Katılım may elect to require the Issuer to redeem the Certificates, the market value of the Certificates generally will not rise substantially above the Early Tax Dissolution Amount (as defined in the Conditions). Potential investors should consider re-investment risk in light of other investments available at that time.

## **Risk factors relating to enforcement**

### ***Enforcement risk***

Ultimately the payments under the Certificates are dependent upon Ziraat Katılım making payments to the Issuer and the Issuer making payments to Certificateholders in the manner contemplated under the Transaction Documents. If Ziraat Katılım or the Issuer fails to do so, it may be necessary to bring an action against either of them to enforce their respective obligations and/or to claim actual damages, as appropriate, which may be costly and time consuming.

Certain of the Transaction Documents are governed by English law, with the courts of England located in London stated to have jurisdiction to settle any disputes. Notwithstanding that a judgment may be obtained in an English court, there is no assurance that Ziraat Katılım or the Issuer has, or would at the relevant time have, assets in the United Kingdom against which such judgment could be enforced.

Furthermore, any claim against the Issuer or Ziraat Katılım (as the case may be) that is denominated in a foreign currency would, upon pronouncement of bankruptcy of the Issuer or Ziraat Katılım (as the case may be), only be payable in Turkish Lira, thereby shifting the currency exchange risk from the Issuer or Ziraat Katılım (as the case may be) to the Certificateholders. The relevant exchange rate for determining the Turkish Lira amount of any such claim would be the Central Bank's exchange rate for the purchase of the relevant currency which is effective on the date when the relevant court's decision on the bankruptcy is rendered in accordance with Turkish law. Such exchange rate may be less favourable to a Certificateholders than the spot rate of exchange prevailing at the relevant time.

### ***Enforcing foreign judgments in Türkiye***

Ziraat Katılım is a joint stock company organised under the laws of Türkiye. Certain of the directors and officers of Ziraat Katılım reside inside Türkiye and all or a substantial portion of the assets of such persons

may be, and substantially all of the assets of Ziraat Katılım are, located in Türkiye. As a result, it may not be possible for investors to effect service of process upon such persons outside Türkiye or to enforce against them in the courts of jurisdictions other than Türkiye any judgments obtained in such courts that are predicated upon the laws of such other jurisdictions.

In accordance with Articles 50–59 of Türkiye's International Private and Procedure Law (Law No. 5718), the courts of Türkiye will not enforce any judgment obtained in a court established in a country other than Türkiye unless:

- (a) there is in effect a treaty between such country and Türkiye providing for reciprocal enforcement of court judgments;
- (b) there is *de facto* enforcement in such country of judgments rendered by Turkish courts; or
- (c) there is a provision in the laws of such country that provides for the enforcement of judgments of Turkish courts.

There is no treaty between Türkiye and the United Kingdom providing for reciprocal enforcement of judgments. Turkish courts have rendered at least one judgment in the past confirming *de facto* reciprocity between Türkiye and the United Kingdom, however, since *de facto* reciprocity is decided by the relevant court on a case- by-case basis, there is uncertainty as to the enforceability of court judgments obtained in the United Kingdom by Turkish courts in the future. Moreover, there is uncertainty as to the ability of an investor to bring an original action in Türkiye based on any other non-Turkish securities laws.

In addition, the courts of Türkiye will not enforce any judgment obtained in a court established in a country other than Türkiye if:

- (a) the defendant was not duly summoned or represented or the defendant's fundamental procedural rights were not observed and the defendant brought an objection before the Turkish courts against the request for enforcement on any of these grounds;
- (b) the judgment in question was rendered with respect to a matter within the exclusive jurisdiction of the courts of Türkiye;
- (c) the judgment is incompatible with a judgment of a court in Türkiye between the same parties and relating to the same issues or, as the case may be, with an earlier foreign judgment on the same issue and enforceable in Türkiye;
- (d) the judgment is not of a civil nature;
- (e) the judgment is clearly against public policy rules of Türkiye;
- (f) the judgment is not final and binding with no further recourse for appeal under the laws of the country where the judgment has been rendered; or
- (g) the court rendering the judgment did not have jurisdiction to render such judgment;
- (h) the judgment was rendered by a foreign court that has deemed itself competent even though it had no actual relationship with the parties or the subject matter at hand.

Furthermore, to be enforceable under the laws of Türkiye, the choice of laws of a foreign jurisdiction or submission to the jurisdiction of the courts of such a foreign jurisdiction should indicate the competent courts with sufficient precision. Therefore, lack of precision while determining the competent court of a foreign jurisdiction may render the choice of foreign court unenforceable.

As a result, it may not be possible to:

- (a) effect service of process outside Türkiye upon any of the directors and executive officers named in this Prospectus; or
- (b) enforce, in Türkiye, court judgments obtained in courts of jurisdictions other than Türkiye against Ziraat Katılım or any of the directors and executive officers named in this Prospectus in any action.

Furthermore, as a matter of Turkish law, the choice of jurisdiction requires explicit agreement of the parties as to the exclusive jurisdiction of a particular court, defined with sufficient accuracy. Non-exclusive jurisdiction clauses or general references to courts of a country may not be honoured by Turkish courts. Therefore, any Turkish court may claim jurisdiction if a lawsuit is filed in Türkiye by the parties in relation to a document regarding matters arising thereunder and may refrain from honouring relevant jurisdiction clauses in the event it is considered that such explicit agreement is lacking as to the jurisdiction of a particular court(s).

In accordance with Article 48 of Türkiye's International Private and Procedure Law (Law No. 5718), in any suit, debt collection proceeding or action against the Bank in the Turkish courts, a foreign plaintiff may be required to deposit security for court costs (*cautio judicatum solvi*), provided however that the court may in its discretion waive such requirement for security in the event that the plaintiff is considered to be (i) a national of one of the contracting states of the Convention Relating to Civil Procedures signed at The Hague on 1 March 1954 (ratified by Türkiye by Law No. 1574); save for legal entities incorporated under the laws of such contracting states, or (ii) a national of a state that has signed a bilateral treaty with Türkiye which is duly ratified and contains, *inter alia*, a waiver of the *cautio judicatum solvi* requirement on a reciprocal basis.

Accordingly, if any action or proceeding is instituted in Türkiye arising out of or relating to a Transaction Document, it may be necessary for a foreign plaintiff or plaintiffs under Law of Charges No. 492 (as amended from time to time) to pay, among other amounts (including amounts in relation to security for court costs), court fees in the amount of 6.83 per cent. of the TRY equivalent of the amount claimed plus a fixed application fee to the relevant courts.

The International Private and Procedure Law of Türkiye (Law No. 5718) imposes certain restrictions in relation to the choice of law for certain non-contractual obligations. In particular, the International Private and Procedure Law of Türkiye (Law No. 5718) provides that parties are permitted to choose the law applicable to claims relating to tort and/or unjust enrichment only after the commitment or occurrence of the relevant tortious act or the relevant unjust enrichment. As a result, a Turkish court may refuse to apply the parties' choice of foreign law to any non-contractual obligations arising out of or in connection with the Transaction Documents and the Certificates and may decide to apply Turkish law in respect of such obligations.

In connection with the issuance of Certificates, each of the Issuer and Ziraat Katılım will appoint T.C. Ziraat Bankası A.Ş., London Branch as its agent upon whom process may be served in connection with any proceedings in England.

### ***Payment of Judgments***

Turkish Courts may render judgments in a foreign currency including in the context of enforcing a foreign judgment. If an enforcement action is initiated in respect of a judgment in a foreign currency including Turkish court judgments rendered in connection with the enforcement of foreign court judgments, then the sum claimed in such action would be converted into Turkish Lira on the date of filing such action for the purpose of calculation of the enforcement fee.

### ***Shari'a requirements in relation to judgment interest***

In accordance with applicable *Shari'a* principles, each of the parties thereto will waive all and any entitlement it may have to judgment interest awarded in its favour by any court in connection with any dispute under any Transaction Document to which it is a party. Should there be any delay in the enforcement of a judgment given against Ziraat Katılım, judgment interest could accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

### ***Change of law***

The structure of the issue of the Certificates is based on English law and Turkish law and administrative practices in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law Turkish law or administrative practices in each jurisdiction after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the

ability of the Issuer to make payments under the Certificates or of Ziraat Katılım or the Issuer to comply with their respective obligations under the Transaction Documents.

#### ***Claims for specific enforcement***

In the event that either Ziraat Katılım or the Issuer fails to perform its obligations under any Transaction Document to which it is a party, the potential remedies available to the Issuer and the Representative include obtaining an order for specific enforcement of the relevant obligations or a claim for actual damages. There is no assurance that any court would order specific enforcement of a contractual obligation, as this is generally a matter for the discretion of the relevant court.

The amount of actual damages which a court may award in respect of a breach will depend upon a number of possible factors including an obligation on the Issuer or the Representative to mitigate any loss arising as a result of the breach. No assurance is provided on the level of actual damages which a court may award in the event of a failure by either Ziraat Katılım or the Issuer to perform its obligations as set out in the Transaction Documents to which it is a party.

#### **Additional Risk Factors**

##### ***Emerging markets***

Investors in emerging markets should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved.

##### ***Exchange rate risks and exchange controls***

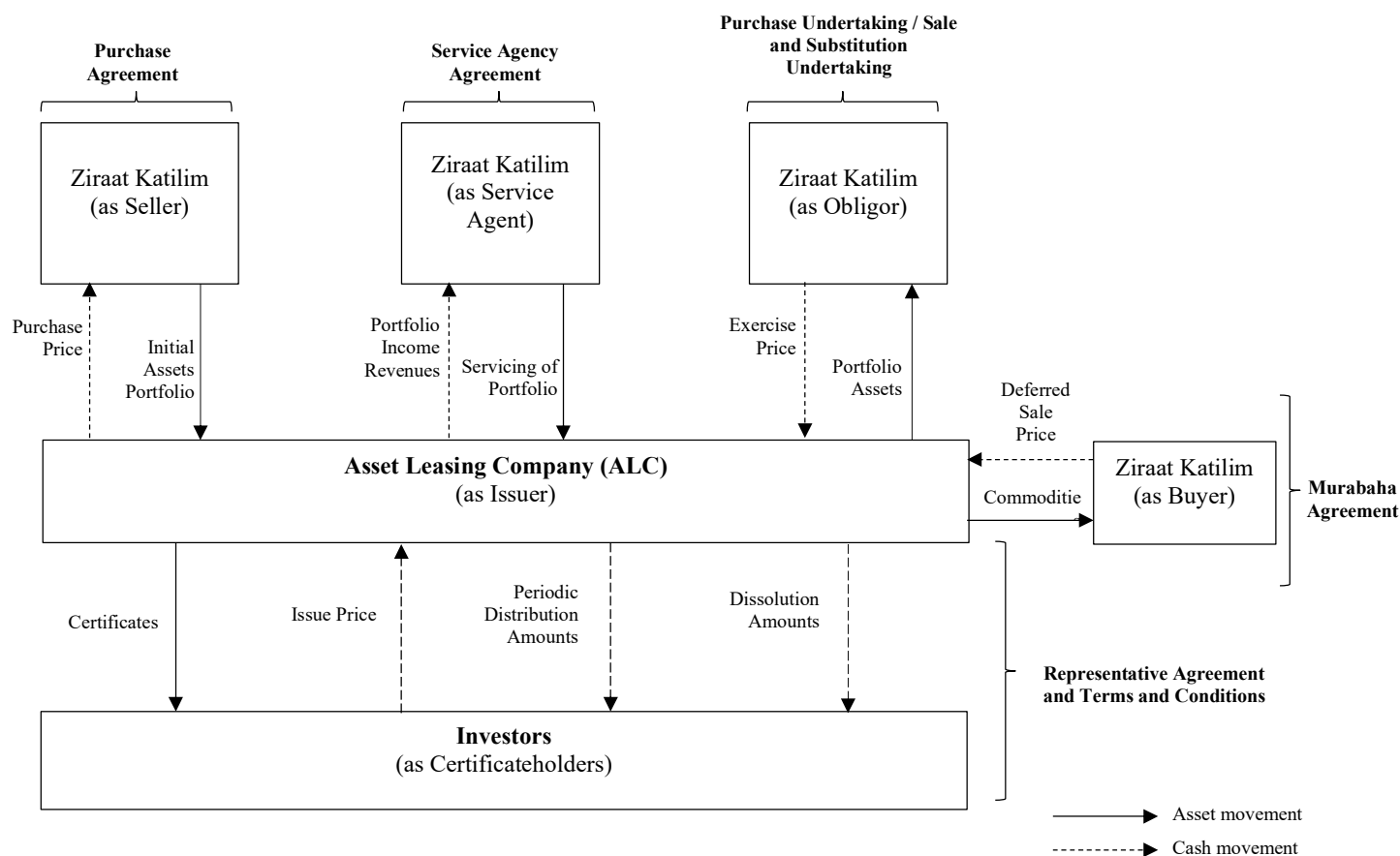
The Issuer will pay Periodic Distribution Amounts and Dissolution Distribution Amounts on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to the devaluation of the U.S. dollar or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the Dissolution Distribution Amount payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive a lower Periodic Distribution Amount and/or Dissolution Distribution Amount than expected, or no Periodic Distribution Amounts or Dissolution Distribution Amount. An investor may also not be able to convert (at a reasonable exchange rate or at all) amounts received in U.S. dollars into the Investor's Currency, which could materially adversely affect the market value of the Certificates. There may also be tax consequences for investors.

## STRUCTURE DIAGRAM AND CASHFLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying the Certificates. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Prospectus for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below.

### Structure Diagram



## Cashflows

### *Payments by the Certificateholders and the Issuer*

On the Closing Date, the Certificateholders will pay the issue price in respect of the Certificates (the "**Issue Price**") to the Issuer, and the Issuer will apply the net proceeds from the issue of the Certificates (the "**Issuance Proceeds**") as follows:

- (a) all or a portion of the Issuance Proceeds to Ziraat Katılım (in its capacity as seller, the "**Seller**") as the purchase price payable for the purchase from Ziraat Katılım of all its rights, title (other than legal title (kuru mülkiyet), interests, benefits and entitlements in, to and under the following assets (the "**Initial Assets Portfolio**")):
  - (i) certain tangible assets in relation to which the Seller or any person on its behalf has entered into a lease financing contract (and includes that lease financing contract, all amounts payable thereunder (including, but not limited to, the rental payments) and all rights, interests, benefits and entitlements in, to and under such lease financing contract and such tangible asset) (the "**Lease Assets**") **provided, however, that** each such Lease Asset satisfies the eligibility requirements set out in the definition of Eligible Portfolio Asset provided in the Purchase Agreement (as defined below);
  - (ii) sukuk or trust certificates which are tradable in accordance with the Accounting and Auditing Organisation for Islamic Financial Institutions *Shari'a* Standards as interpreted by the Seller's *Shari'a* Advisory Board (and includes any tangible investment sukuk contracts in relation to the sukuk or trust certificates, all amounts payable thereunder (including, but not limited to, periodic distribution amounts) and all rights, interests, benefits and entitlements in, to and under such tangible investment sukuk contracts) (the "**Tangible Investment Sukuk**") **provided, however, that** each such Tangible Investment Sukuk satisfies the eligibility requirements set out in the definition of Eligible Portfolio Asset provided in the Purchase Agreement (as defined below),

in each case pursuant to a purchase agreement between the Issuer and the Seller (the "**Purchase Agreement**"); and

- (b) the remaining portion (if any) of the Issuance Proceeds (the "**Murabaha Investment Amount**"), to purchase certain *Shari'a* compliant commodities (the "**Commodities**") through the Commodity Agent (as defined in the Murabaha Agreement), following which the Issuer will sell such Commodities to Ziraat Katılım (in its capacity as buyer, the "**Buyer**") on a deferred payment basis for a sale price specified in an offer notice (the "**Deferred Sale Price**") (such sale of *Shari'a* compliant commodities by the Issuer to the Buyer the "**Murabaha Contract**") pursuant to a murabaha agreement between the Issuer, Ziraat Katılım (as Buyer) and the Representative (the "**Murabaha Agreement**"),

#### **provided that:**

- (A) an amount which shall be equal to no less than 55 per cent. of the aggregate face amount of the Certificates, shall be used to purchase Lease Assets and/or the Tangible Part (as defined below) of the Tangible Investment Sukuk comprising the Initial Assets Portfolio; and
- (B) an amount which shall be no more than 45 per cent. of the aggregate face amount of the Certificates, shall be used to purchase (x) (to the extent applicable) the Intangible Part (as defined below) of any Tangible Investment Sukuk comprising the Initial Assets Portfolio; and (y) any Commodities in connection with the Murabaha Contract.

The Initial Assets Portfolio and all other rights arising under or with respect thereto (including the right to receive payment of principal, profit, rental, insurance proceeds, indemnity payments and any other amounts due in connection with the Initial Assets Portfolio) and the outstanding Deferred Sale Price shall comprise the "**Portfolio**", and any eligible Lease Assets and/or Tangible Investment Sukuk comprised in such Portfolio from time to time, the "**Portfolio Assets**".

### ***Periodic Distribution Payments***

The Issuer, holding its interests in the Lease Certificate Assets in its own name and on its own behalf but for the benefit and account of the Certificateholders, will appoint Ziraat Katılım (as Service Agent) to provide the services set out in the Service Agency Agreement in respect of the Portfolio (the "**Services**"). All revenues from the Portfolio (including all rental, profit, distributions, periodic distribution amounts and other amounts payable, and all sale proceeds or consideration, actual damages, insurance proceeds and compensation or other sums), in each case as received by the Service Agent in whatever currency in respect of or otherwise in connection with the Portfolio Assets and, if applicable, all payments of the murabaha profit amounts comprising the Deferred Sale Price payable in respect of the Murabaha Contract (but, in each case, excluding any Portfolio Principal Revenues (as defined below)) (the "**Portfolio Income Revenues**") shall be recorded by the Service Agent in a book-entry ledger account (the "**Income Collection Account**"). Any amounts received in the nature of capital or principal payments (including, without limitation, any total loss and expropriation related or other insurance (including Islamic insurance) proceeds and indemnity payments) in respect of the Lease Assets and any payment of the outstanding face amount or par value of any Tangible Investment Sukuk, in each case, comprised in the Portfolio Assets (the "**Portfolio Principal Revenues**", together with the Portfolio Income Revenues, the "**Portfolio Revenues**") shall be recorded by the Service Agent in a book-entry ledger account (the "**Principal Collection Account**"). On each Periodic Distribution Determination Date (as defined below), the Service Agent shall pay into the Transaction Account (as defined in the Conditions) amounts standing to the credit of the Income Collection Account, which is intended to fund an amount equal to the aggregate of the Periodic Distribution Amounts payable on each relevant Periodic Distribution Date, together with an amount equal to the amounts payable pursuant to Condition 6.3(a) (the "**Required Amount**") payable by the Issuer on the immediately following Periodic Distribution Date and such Required Amount shall be applied by the Issuer for that purpose.

On each Periodic Distribution Determination Date, if there are amounts still standing to the credit of the Income Collection Account after (i) payment to the Service Agent on behalf of the Issuer of any amount in respect of any claims, actual losses, actual costs and expenses properly incurred or suffered by the Service Agent or other payments made by the Service Agent on behalf of the Issuer, in each case in providing the Services during a Return Accumulation Period (as defined in the Conditions) (the "**Service Agent Liabilities Amounts**") for the Return Accumulation Period ending on the immediately following Periodic Distribution Date and (if applicable) any Service Agent Liabilities Amounts for any previous Return Accumulation Period that remain unpaid, and (ii) payment of the Required Amount into the Transaction Account, the amount of any excess shall be credited by the Service Agent to a separate book-entry ledger account (the "**Reserve Collection Account**").

If the amount standing to the credit of the Transaction Account on a Periodic Distribution Determination Date is insufficient to fund the Required Amount on the immediately following Periodic Distribution Date (the difference between such amounts being referred to as a "**Periodic Distribution Shortfall**"), the Service Agent shall apply amounts standing to the credit of the Reserve Collection Account towards such shortfall, by paying an amount equal to the same into the Transaction Account. If having applied such amounts from the Reserve Collection Account, there remains a Periodic Distribution Shortfall, the Service Agent shall on the relevant Periodic Distribution Determination Date (other than where the relevant Periodic Distribution Date is a Dissolution Date on which all of the Certificates are to be redeemed in full):

- (a) *firstly*, use any amounts standing to the credit of the Principal Collection Account, to pay into the Transaction Account an amount equal to the lesser of the remaining Periodic Distribution Shortfall and the balance of the Principal Collection Account; and
- (b) *secondly*, where the amounts paid into the Transaction Account pursuant to paragraph (a) above are insufficient to cover the Periodic Distribution Shortfall (the difference between such amounts being the "**Remaining Periodic Distribution Shortfall**"), realise, on the relevant Periodic Distribution Determination Date a portion of the Portfolio equal in value to the remaining Periodic Distribution Shortfall through the liquidation of Portfolio Assets on behalf of the Issuer (with Tangible Investment Sukuk being liquidated first and then Lease Assets) only to the extent necessary to realise an amount (in U.S. dollars) equal to the Remaining Periodic Distribution Shortfall, and pay the amount so realised on the relevant Periodic Distribution Determination Date to the Transaction Account.

### ***Dissolution Payments***

On the business day prior to the Scheduled Dissolution Date (as defined in the Conditions):

- (a) the aggregate amount of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable; and
- (b) the Issuer will have the right under the Purchase Undertaking to require Ziraat Katılım to purchase all of its rights, title, interests, benefits and entitlements in, to and under Portfolio Assets at the Exercise Price,

and such amounts are intended to fund the Dissolution Distribution Amount payable by the Issuer on the Scheduled Dissolution Date.

The Certificates may be redeemed in whole or in part, as the case may be, prior to the Scheduled Dissolution Date for the following reasons: (i) for taxation reasons; (ii) at the option of the Certificateholders following the occurrence of a Tangibility Event; (iii) at the option of Ziraat Katılım if 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed and/or purchased and cancelled; (iv) following a Dissolution Event; and (v) upon the occurrence of a Change of Control (each term as defined in the Conditions).

In the case of each of (ii), (iv) and (v) above, such redemption of the Certificates shall be funded in a similar manner as for the payment of the Dissolution Distribution Amount on the Scheduled Dissolution Date save for, on the relevant Dissolution Date:

- (a) the aggregate amount (or the applicable portion thereof) of the Deferred Sale Price then outstanding, if any, becoming immediately due and payable; and
- (b) the Issuer having the right under the Purchase Undertaking to require Ziraat Katılım to purchase all of its rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets (or the applicable portion thereof) at the Tangibility Event Exercise Price, the Exercise Price or the Change of Control Exercise Price, as the case may be.

In the case of each of (i) and (iii) above, on the business day prior to the relevant Dissolution Date:

- (a) the aggregate amount (or the applicable portion thereof) of the Deferred Sale Price then outstanding, if any, shall become immediately due and payable; and
- (b) Ziraat Katılım will have the right under the Sale and Substitution Undertaking to require the Issuer to sell all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets (or the applicable portion thereof) at the Exercise Price,

and such amounts are intended to fund the Dissolution Amount payable by the Issuer on the Dissolution Date.

In this section:

**"Tangible Part"** means, in relation to any Tangible Investment Sukuk, where in respect of the underlying assets associated with such Tangible Investment Sukuk:

- (a) all of the underlying assets are tangible assets, 100 per cent. of such Tangible Investment Sukuk;
- (b) where some but not all of the underlying assets are tangible assets, the portion of such Tangible Investment Sukuk corresponding to the minimum tangibility requirement (expressed as a percentage) that (i) is required to be satisfied during the tenor of such Tangible Investment Sukuk post the issue date thereof or (ii) if there is no such requirement, was required to be satisfied on the relevant issue date of such Sukuk, in each case, as further detailed in the relevant legal documentation relating to such Tangible Investment Sukuk as determined by Ziraat Katılım's *Shari'a* Advisory Board and if no such requirement is detailed in the relevant legal documentation relating to such Tangible Investment Sukuk, as otherwise determined by Ziraat Katılım's *Shari'a* Advisory Board;

**"Intangible Part"** means, in relation to any Tangible Investment Sukuk, the portion of such Tangible Investment Sukuk that does not comprise the Tangible Part of such Tangible Investment Sukuk; and

**"Periodic Distribution Determination Date"** means the Business Day immediately prior to the relevant Periodic Distribution Date.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following is the text of the Terms and Conditions of the Certificates (the "Conditions") which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form (if issued) and will, save as provided in "Global Certificate", apply to the Global Certificate.*

Each of the U.S.\$500,000,000 lease certificates due November 2026 (the "**Certificates**") is issued by Ziraat Katılım Varlık Kiralama A.Ş. (in its capacity as issuer, the "**Issuer**") and represents an undivided ownership interest in the Lease Certificate Assets (as defined in Condition 1.1 (*Definitions*)) on a *pro rata* basis pursuant to the Sukuk Communiqué (as defined in Condition 1.1 (*Definitions*)) and will be subject to an agreement (the "**Representative Agreement**") dated on or about 6 November 2023 (the "**Closing Date**") entered into by the Issuer and HSBC Bank plc (in its capacity as representative of the Certificateholders pursuant to the Representative Agreement, the "**Representative**", which expression shall include any co-representative, any replacement representative and any successor thereto from time to time).

Payments relating to the Certificates will be made pursuant to an agency agreement dated on or about the Closing Date (the "**Agency Agreement**") between Ziraat Katılım Bankası A.Ş. ("**Ziraat Katılım**"), the Issuer, the Representative and HSBC Bank plc, as principal paying agent (in such capacity, the "**Principal Paying Agent**" and, together with any further or other paying agents appointed from time to time in respect of the Certificates, the "**Paying Agents**"), as transfer agent (in such capacity, the "**Transfer Agent**" and, together with any further or other transfer agents appointed from time to time in respect of the Certificates, the "**Transfer Agents**") and HSBC Bank plc as registrar (in such capacity, the "**Registrar**"). The Paying Agents, the Registrar and the Transfer Agents are together referred to in these Conditions as the "**Agents**". References to the Agents or any of them shall include their successors from time to time.

The holders of the Certificates (each a "**Certificateholder**" or a "**holder**") have the benefit of, are bound by, and are deemed to have notice of all of the provisions applicable to them in the following documents (copies of which are available for inspection during usual business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the designated office of the Issuer at Hobyar Eminönü Mah, Hayri Efendi Cad. No: 12 Bahçekapı. Fatih-İstanbul, Türkiye and at the specified offices) of the Principal Paying Agent):

- (i) the Representative Agreement;
- (ii) the Agency Agreement;
- (iii) a purchase agreement dated on or about the Closing Date between the Issuer (in its capacity as purchaser), Ziraat Katılım (in its capacity as Seller (as defined in Condition 1.1 (*Definitions*)) and the Representative (the "**Purchase Agreement**");
- (iv) a service agency agreement dated on or about the Closing Date between the Issuer, the Representative and Ziraat Katılım (in its capacity as Service Agent (as defined in Condition 1.1 (*Definitions*))) (the "**Service Agency Agreement**");
- (v) a purchase undertaking dated on or about the Closing Date granted by Ziraat Katılım in favour of the Issuer and the Representative (the "**Purchase Undertaking**") including any sale agreement (the "**Sale Agreement**") executed in certain circumstances described in the Purchase Undertaking;
- (vi) a sale and substitution undertaking dated on or about the Closing Date granted by the Issuer in favour of Ziraat Katılım and the Representative (the "**Sale and Substitution Undertaking**") including any sale agreement (the "**Sale Agreement**") executed in certain circumstances described in the Sale and Substitution Undertaking; and
- (vii) a murabaha agreement dated on or about the Closing Date between the Issuer (in its capacity as seller), Ziraat Katılım (in its capacity as buyer) and the Representative (including all documents, notices of request to purchase, offer notices, acceptances, notices and confirmations delivered or entered into as contemplated by the Murabaha Agreement) (the "**Murabaha Agreement**"),

each as may be amended and restated from time to time (together, the "**Transaction Documents**").

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Issuer to enter into each Transaction Document to which it is a party, subject to

the terms and conditions of the Representative Agreement and these Conditions, and to apply the sums paid by it in respect of its Certificates in accordance with the terms of the Transaction Documents.

These Conditions include summaries of, and are subject to, the detailed provisions of the Representative Agreement and the Agency Agreement.

## 1. INTERPRETATION

### 1.1 Definitions

Words and expressions defined in the relevant Transaction Document shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated. In addition, in these Conditions the following expressions have the following meanings:

**"BRSA"** means the Banking Regulation and Supervision Agency (Bankacılık Düzenleme ve Denetleme Kurumu) of Türkiye or such other governmental authority in Türkiye having primary supervisory authority with respect to Ziraat Katılım;

**"BRSA Principles"** means collectively the regulation on "The Procedures and Principles Regarding Banks' Accounting Practices and Maintaining Documents" published in the Official Gazette dated 1 November 2006 and numbered 26333, Turkish Accounting Standards and Turkish Financial Reporting Standards issued by the Turkish Accounting Standards Board, and the additional notes and explanations related thereto, and other regulations, circulars, communiqués and pronouncements in respect of accounting and financial reporting made by the BRSA;

**"Change of Control"** shall be deemed to occur if, either:

- (a) the Republic of Türkiye, acting through the Türkiye Wealth Fund managed by Türkiye Varlık Fonu Yönetimi A.Ş. or through any other entity owned or controlled, directly or indirectly, by the Republic of Türkiye, ceases to:
  - (i) control or hold, directly or indirectly, more than 50.0 per cent. of the ordinary shares of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.; or
  - (ii) whether directly or indirectly and whether by ownership of share capital, possession of voting powers or otherwise, be able to appoint, or direct the appointment of, a majority of the board of directors of Türkiye Cumhuriyeti Ziraat Bankası A.Ş.; or
- (b) Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ceases to:
  - (i) control or hold, directly or indirectly, 51.0 per cent. of the ordinary shares of Ziraat Katılım; or
  - (ii) whether directly or indirectly and whether by ownership of share capital, possession of voting powers or otherwise, be able to appoint, or direct the appointment of, a majority of the board of directors of Ziraat Katılım;

**"Change of Control Dissolution Amount"** means, in relation to the Certificates to be redeemed on the Change of Control Put Right Date, the Dissolution Distribution Amount;

**"Change of Control Notice"** has the meaning given to it in Condition 11.4 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Change of Control Put Period"** has the meaning given to it in Condition 11.4 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Change of Control Put Right"** has the meaning given to it in Condition 11.4 (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*);

**"Change of Control Put Right Date"** shall be the 10<sup>th</sup> Payment Business Day after the expiry of the Change of Control Put Period;

**"Clean Up Call Right Dissolution Amount"** means, in relation to the Certificates to be redeemed on the Clean Up Call Right Dissolution Date, the Dissolution Distribution Amount;

**"Clean Up Call Right Dissolution Date"** has the meaning given to it in Condition 11.5 (*Dissolution at the Option of Ziraat Katılım (Clean Up Call Right)*);

**"Clearstream, Luxembourg"** means Clearstream Banking S.A.;

**"Collection Account"** has the meaning given to it in the Service Agency Agreement;

**"Day Count Fraction"** has the meaning given to it in Condition 8.2 (*Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date*);

**"Deferred Sale Price"** has the meaning given to it in the Murabaha Agreement;

**"Dispute"** has the meaning given in Condition 22.2 (*Jurisdiction*);

**"Dissolution Amount"** means, in relation to each Certificate as the case may be: (a) the Final Dissolution Amount; (b) the Early Tax Dissolution Amount; (c) the Tangibility Event Dissolution Amount; (d) Change of Control Dissolution Amount; (e) Clean Up Call Right Dissolution Amount; and (f) Dissolution Event Amount;

**"Dissolution Date"** means, as the case may be: (a) the Scheduled Dissolution Date; (b) the Early Tax Dissolution Date; (c) the Tangibility Event Put Right Date; (d) the Change of Control Put Right Date; (e) the Clean Up Call Right Dissolution Date; or (f) the Dissolution Event Redemption Date;

**"Dissolution Distribution Amount"** means, in relation to the Certificates to be redeemed on a Dissolution Date, the sum of (a) the outstanding face amount of such Certificates and (b) any due and unpaid Periodic Distribution Amounts relating to such Certificates;

**"Dissolution Event"** has the meaning given to it in Condition 15 (*Dissolution Events*);

**"Dissolution Event Amount"** means, in relation to the Certificates to be redeemed on the Dissolution Event Redemption Date, the Dissolution Distribution Amount;

**"Dissolution Event Redemption Date"** has the meaning given to it in Condition 15 (*Dissolution Events*);

**"Early Tax Dissolution Amount"** means, in relation to the Certificates to be redeemed on an Early Tax Dissolution Date, the Dissolution Distribution Amount;

**"Early Tax Dissolution Date"** has the meaning given to it in Condition 11.2 (*Early Dissolution for Tax Reasons*);

**"Exercise Notice"** means a notice substantially in the form set out in schedule 1 to the Sale and Substitution Undertaking or the Purchase Undertaking, as applicable;

**"Exercise Price"** has the meaning given in the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be;

**"Eligible Portfolio Assets"** has the meaning given to it in the Purchase Agreement;

**"Euroclear"** means Euroclear Bank SA/NV;

**"Extraordinary Resolution"** has the meaning given to it in schedule 4 (*Provisions for Meetings of Certificateholders*) to the Representative Agreement;

**"Final Dissolution Amount"** means, in relation to the Certificates to be redeemed on the Scheduled Dissolution Date, the Dissolution Distribution Amount;

**"Global Certificate"** means a Certificate in global form issued by the Issuer substantially in the form set out in part A (*Form of Global Certificate*) of schedule 1 (*Form of Certificates*) of the Representative Agreement;

**"Guarantee"** means, in relation to any Indebtedness or any Sukuk Obligation of any Person, any obligation of another Person to pay such Indebtedness or fulfil any such Sukuk Obligation including (without limitation):

- (a) any obligation to purchase such Indebtedness;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness or Sukuk Obligation; and
- (d) any other agreement to be responsible for such Indebtedness or Sukuk Obligation;

**"Indebtedness"** means any indebtedness which is in the form of, or represented or evidenced by, certificates, notes, debentures, financing stock, sukuk or other securities, including any *Shari'a*-compliant alternative of the foregoing, which for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over the-counter or other securities market;

**"Initial Assets"** means the Eligible Portfolio Assets as described in schedule 1 (*The Initial Assets*) to the Purchase Agreement;

**"Initial Portfolio Assets"** means the Lease Assets and Tangible Investment Sukuk comprising the portfolio of Initial Assets;

**"Issuance Proceeds"** has the meaning given to it in Condition 6.2 (*Lease Certificate Assets*);

**"Lease Asset"** has the meaning given to it in the Purchase Agreement;

**"Lease Certificate Assets"** has the meaning given to it in Condition 6.2 (*Lease Certificate Assets*);

**"Liability"** means, in respect of any person, any actual loss, actual damages, fees, actual costs (excluding any cost of funding and opportunity cost), charge, claim, demand, expense, judgment, action, proceedings (or threat of any actions or proceedings) or other liability whatsoever including legal fees, travelling expenses and together with any taxes and similar charges incurred by that person and references to **"Liabilities"** shall mean all of these;

**"Material Subsidiary"** means, at any time, a Subsidiary:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of Ziraat Katılım and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of Ziraat Katılım and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited BRSA Principles financial statements (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of Ziraat Katılım and its Subsidiaries; *provided that:* (i) in the case of a Subsidiary of Ziraat Katılım acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of Ziraat Katılım and its Subsidiaries relate or (ii) in the case of any such Subsidiary for which its then latest relevant audited accounts, at the time of such acquisition, are not prepared in accordance with BRSA Principles, the reference to the then latest audited consolidated BRSA Principles financial statements of Ziraat Katılım and its Subsidiaries and the relevant then latest audited BRSA Principles financial statements of such Subsidiary for the purposes of the calculation above shall, until consolidated or, as the case may be, BRSA Principles accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to

be a reference to such consolidated BRSA Principles financial statements of Ziraat Katılım and its Subsidiaries as if such Subsidiary had been shown in those financial statements by reference to such Subsidiary's then latest relevant audited accounts, adjusted as deemed appropriate by Ziraat Katılım (including to reflect a conversion of such accounts into BRSA Principles if the then latest relevant audited accounts of such Subsidiary were not prepared in accordance with BRSA Principles);

- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of Ziraat Katılım that immediately prior to such transfer is a Material Subsidiary; provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Material Subsidiary and the transferee Subsidiary shall immediately become a Material Subsidiary pursuant to this sub-paragraph (b) but shall cease to be a Material Subsidiary on the date of publication of Ziraat Katılım's next audited consolidated BRSA Principles financial statements unless it would then be a Material Subsidiary under subparagraph (a) above; or
- (c) to which is transferred an undertaking or assets that, taken together with the undertaking or assets of the transferee Subsidiary, represent (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated BRSA Principles financial statements of Ziraat Katılım and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated total assets of Ziraat Katılım and its Subsidiaries taken as a whole (calculated as set out in sub-paragraph (a) above); provided that the transferor Subsidiary (if a Material Subsidiary) shall upon such transfer forthwith cease to be a Material Subsidiary unless immediately following such transfer, its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated total assets of Ziraat Katılım and its Subsidiaries taken as a whole (all as calculated as set out in sub-paragraph (a) above), and the transferee Subsidiary shall cease to be a Material Subsidiary pursuant to this sub-paragraph (c) on the date of the publication of Ziraat Katılım's next consolidated audited BRSA Principles financial statements, save that such transferor Subsidiary or such transferee Subsidiary may be a Material Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of sub-paragraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition, and

a report by the auditor of Ziraat Katılım that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties;

**"Non-recourse Project Financing"** means any financing of all or part of the costs of the acquisition, construction or development of any project, provided that: (i) any Security Interest given by Ziraat Katılım or any of its Subsidiaries in connection therewith is limited solely to the assets of the project; (ii) the Persons providing such financing expressly agree to limit their recourse to the project financed and the revenues derived from such project as the principal source of repayment for the moneys advanced; and (iii) there is no other recourse to Ziraat Katılım or any of its Subsidiaries in respect of any default by any Person under the financing;

**"Payment Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets in London and New York City settle payments and are open for general business and, in the case of presentation of a Certificate, in the place in which the Certificate is presented;

**"Periodic Distribution Amount"** means, in relation to a Certificate and a Return Accumulation Period, the amount of profit payable in respect of that Certificate for that Return Accumulation Period as calculated in accordance with Condition 8 (*Periodic Distribution Provisions*);

**"Periodic Distribution Date"** means 12 May and 12 November in each year, commencing on 12 May 2024;

**"Permitted Reorganisation"** means:

- (a) (i) any disposal by any Subsidiary of Ziraat Katılım of all or substantially all of its business, undertaking or assets to: (1) any of its own wholly-owned Subsidiaries; (2) Ziraat Katılım; or (3) any wholly-owned Subsidiary of Ziraat Katılım; or (ii) any disposal by Ziraat Katılım of all or substantially all of its business, undertaking or assets to any of its wholly-owned Subsidiaries provided that, in the case of (ii) only, at the same time or prior to any such disposal, all amounts payable by Ziraat Katılım under each Transaction Document to which it is a party have been assumed by such Subsidiary on terms previously approved by an Extraordinary Resolution; (b) any amalgamation, consolidation or merger of a Subsidiary of Ziraat Katılım with Ziraat Katılım or with any other Subsidiary of Ziraat Katılım; or (c) any amalgamation, consolidation, restructuring, merger or reorganisation on terms previously approved by an Extraordinary Resolution;

**"Permitted Security Interest"** means:

- (b) any Security Interest created or outstanding with the approval of an Extraordinary Resolution;
- (c) any Security Interest arising by operation of law, provided that such Security Interest is discharged within 30 days of arising;
- (d) any Security Interest securing Indebtedness of any person existing at the time that such person is acquired by or merged into or consolidated with Ziraat Katılım, provided, however, that such Security Interest was not created in contemplation of such acquisition, merger or consolidation, as the case may be, and does not extend to any other assets or property of Ziraat Katılım;
- (e) any Security Interest on assets or property existing at the time Ziraat Katılım acquired such assets or property, provided that such Security Interest was not created in contemplation of such acquisition and does not extend to other assets or property (other than proceeds of such acquired assets or property); and
- (f) any Security Interest granted to secure a Non-recourse Project Financing or to secure any Indebtedness or Sukuk Obligation incurred in connection with a Securitisation;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**"Portfolio"** has the meaning given to it in the Service Agency Agreement;

**"Portfolio Assets"** has the meaning given to it in the Service Agency Agreement;

**"Portfolio Exercise Price"** means, as the context may require, the Exercise Price, Change of Control Exercise Price, Tangibility Event Put Right Exercise Price or Periodic Distribution Shortfall Exercise Price (each as defined in the Purchase Undertaking) payable following the exercise of the Purchase Undertaking in accordance with its terms and/or the Exercise Price (as defined in the Sale and Substitution Undertaking) payable following the exercise of the Sale and Substitution Undertaking in accordance with its terms, in each case, as the context so requires;

**"Record Date"** means: (a) in respect of a Global Certificate, at the close of the business day (being for this purpose a day on which Euroclear and Clearstream, Luxembourg are open for business) before the relevant Periodic Distribution Date or the relevant Dissolution Date, as the case may be; and (b) in respect of Certificates in definitive form, the date falling on the seventh day before the relevant Periodic Distribution Date or the Dissolution Date, as the case may be;

**"Redemption and Cancellation Notice"** means a notice substantially in the form set out in schedule 3 to the Sale and Substitution Undertaking;

**"Register"** has the meaning given to it in Condition 2.1 (*Form and Denomination*);

**"Relevant Date"** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent on or before the due

date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to the Certificateholders in accordance with Condition 18 (*Notices*); and

**"Relevant Indebtedness"** means, any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 30 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement or Islamic financing) having the commercial effect of a borrowing;

**"Relevant Jurisdiction"** means Türkiye or any political sub-division or authority thereof or therein having power to tax.

**"Return Accumulation Commencement Date"** means the Closing Date;

**"Return Accumulation Period"** means the period from (and including) the Return Accumulation Commencement Date to (but excluding) the first Periodic Distribution Date and each successive period from and including a Periodic Distribution Date to (but excluding) the next succeeding Periodic Distribution Date;

**"Scheduled Dissolution Date"** means 12 November 2026;

**"Securitisation"** means any securitisation of existing or future assets and/or revenues, provided that: (i) any Security Interest given by Ziraat Katılım or any of its Subsidiaries in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitisation; (ii) each Person participating in such securitisation expressly agrees to limit its recourse to the assets and/or revenues securitised as the principal source of repayment for the moneys advanced or payment of any other liability; and (iii) there is no other recourse to Ziraat Katılım or any of its Subsidiaries in respect of any default by any Person under the securitisation;

**"Security Interest"** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction;

**"Seller"** has the meaning given to it in Condition 6.1 (*Issuer established as an 'asset leasing corporation'*);

**"Service Agent"** has the meaning given to it in Condition 6.1 (*Issuer established as an 'asset leasing corporation'*);

**"Shari'a Adviser"** has the meaning given to it in the Service Agency Agreement;

**"Specified Denomination"** has the meaning given in Condition 2.1 (*Form and Denomination*);

**"Subsidiary"** means, in relation to any Person, any company (i) in which such Person holds a majority of the voting rights, (ii) of which such Person is a member and has the right to appoint or remove a majority of the board of directors or (iii) of which such Person is a member and controls a majority of the voting rights, and includes any company which is a Subsidiary of a Subsidiary of such Person.

**"Sukuk Assets"** means the Portfolio Assets, the right to receive the outstanding Deferred Sale Price under the Murabaha Contract and the amounts standing to the credit of each Collection Account from time to time;

**"Sukuk Communiqué"** the Sukuk Communiqué on Lease Certificates (Serial No.III/61.1) (published in the Official Gazette dated 7 June 2013 and No. 28670) issued by the Capital Markets Board of Türkiye (Sermaye Piyasası Kurulu) as amended;

**"Sukuk Obligation"** means any undertaking or other obligation to pay any money given in connection with the issue of certificates or other securities issued in connection with any Islamic financing whether or not in return for consideration of any kind, which certificates or other securities for the time being are, or are intended to be or are capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market;

**"Tangibility Event"** shall occur if, at any time, the Tangibility Ratio falls to below 33 per cent.;

**"Tangibility Event Put Notice"** has the meaning given to it in Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

**"Tangibility Event Put Period"** shall be the period of 30 days commencing on the date that is the 30<sup>th</sup> day after a Tangibility Event Notice is given;

**"Tangibility Event Put Right"** has the meaning given to it in Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

**"Tangibility Event Put Right Date"** shall be a date falling not less than 75 days following the expiry of the Tangibility Event Put Period;

**"Tangibility Event Issuer Notice"** has the meaning given to it in the Service Agency Agreement; and

**"Tangibility Event Dissolution Amount"** means, in relation to the Certificates to be redeemed on the Tangibility Event Put Right Date, the Dissolution Distribution Amount;

**"Tangibility Event Notice"** has the meaning given to it in Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*);

**"Tangibility Ratio"** has the meaning given to it in the Service Agency Agreement.

**"Tangible Investment Sukuk"** has the meaning given to it in the Purchase Agreement;

**"Transaction Account"** means the non-interest bearing transaction account in the Issuer's name maintained with the Principal Paying Agent into which Ziraat Katılım will deposit all amounts due to the Issuer under the Transaction Documents to which it is a party;

**"Türkiye"** means the Republic of Türkiye; and

**"Ziraat Katılım Event"** has the meaning given to it in Condition 15 (*Dissolution Events*);

## 1.2 Interpretation

In these Conditions:

- (a) all references in these Conditions to **"U.S. dollars"**, **"U.S.\$"** and **"\$"** are to the lawful currency of the United States of America; and
- (b) the rules of interpretation set out in the Representative Agreement shall apply to these Conditions as if set out herein, *mutatis mutandis*.

## 2. **FORM, DENOMINATION AND TITLE**

### 2.1 **Form and Denomination**

The Certificates are issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof (each an "**Specified Denomination**"). A Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the register of Certificateholders (the "**Register**") which the Issuer will cause to be kept by the Registrar outside the Republic of Türkiye and the United Kingdom in accordance with the provisions of the Agency Agreement.

The Certificates are issued pursuant to the Sukuk Communiqué. The proceeds of the Certificates shall be paid in cash in a single sum to or to the order of the Issuer.

Upon issue, the Certificates will be represented by interests in the Global Certificate, in fully registered form, which will be deposited with, and registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg.

For so long as any of the Certificates are represented by the Global Certificate held on behalf of Euroclear and Clearstream, Luxembourg, each Person (other than Euroclear and Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and Clearstream, Luxembourg as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by Euroclear and Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any Person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, Ziraat Katılım, the Representative and the Agents as the holder of such face amount of such Certificates for all purposes other than with respect to payment in respect of such Certificates, for which purpose the registered holder (the "**nominee**") of the Global Certificate shall be treated by the Issuer, Ziraat Katılım, the Representative and any Agent as the holder of such face amount of such Certificates in accordance with and subject to the terms of the Global Certificate, and the expressions "**Certificateholder**" and "**holder**" in relation to any Certificates and related expressions shall be construed accordingly. Each Certificateholder must look solely to Euroclear and Clearstream, Luxembourg for its share of each payment made to the registered holder of the Global Certificate.

Certificates which are represented by the Global Certificate will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg.

*These Conditions are modified by certain provisions contained in the Global Certificate. Except in certain limited circumstances, owners of interests in the Global Certificate will not be entitled to receive definitive Certificates representing their holdings of Certificates. See "Global Certificate".*

### 2.2 **Register**

The Registrar will maintain a register (the "**Register**") of Certificateholders in respect of the Certificates in accordance with the provisions of the Agency Agreement. In the case of Certificates in definitive form, a definitive Certificate will be issued to each Certificateholder in respect of its registered holding of Certificates.

### 2.3 **Title**

The Issuer, Ziraat Katılım, the Representative and the Agents may (to the fullest extent permitted by applicable laws) deem and treat the Person in whose name any outstanding Certificate is for the time being registered (as set out in the Register) as the holder of such Certificate or of a particular face amount of the Certificates for all purposes (whether or not such Certificate or face amount shall be overdue and notwithstanding any notice of ownership thereof or of trust or other interest with regard thereto, and any notice of loss or theft or any writing thereon), and the Issuer, Ziraat Katılım, the Representative and the Agents shall not be affected by any notice to the contrary.

All payments made to such registered holder shall be valid and, to the extent of the sums so paid, effective to satisfy and discharge the liability for monies payable in respect of such Certificate or face amount.

### 3. TRANSFERS OF CERTIFICATES

#### 3.1 Transfers of Beneficial Interests in the Global Certificate

Transfers of beneficial interests in the Global Certificate will be effected by Euroclear and Clearstream, Luxembourg, and, in turn, by other participants and, if appropriate, indirect participants in such clearing systems acting on behalf of transferors and transferees of such interests. An interest in the Global Certificate will, subject to compliance with all applicable legal and regulatory restrictions, be transferable for Certificates in definitive form only in the Specified Denomination or integral multiples thereof and only in accordance with the rules and operating procedures for the time being of Euroclear and Clearstream, Luxembourg and in accordance with the terms and conditions specified in the Representative Agreement and the Agency Agreement.

#### 3.2 Transfers of Certificates in Definitive Form

##### (a) *Transfer*

Subject to this Condition 3.2, Condition 3.3 (*Formalities Free of Charge*) and Condition 3.4 (*Closed Periods*), a definitive Certificate may be transferred in whole or in an amount equal to the Specified Denomination or any integral multiple thereof by depositing the definitive Certificate, with the form of transfer on the back duly completed and signed, at the specified office of the any Transfer Agent.

##### (b) *Delivery of new definitive Certificates*

Each new Certificate to be issued upon any transfer of Certificates will, within five (5) business days of receipt by the relevant Transfer Agent of the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or mailed by uninsured mail at the risk and expense of the holder entitled to the Certificate to the address specified in the form of transfer.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five (5) business days of receipt by the relevant Transfer Agent of the original Certificate, be mailed by uninsured mail at the risk and expense of the holder of the Certificates not so transferred to the address of such holder appearing on the Register or as specified in the form of transfer.

For the purposes of this Condition 3.2, "**business day**" shall mean a day on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

#### 3.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected without charge by or on behalf of the Issuer or any Transfer Agent but upon payment (or the giving of such indemnity as the Issuer or any Transfer Agent may reasonably require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer.

#### 3.4 Closed Periods

No Certificateholder may require the transfer of a definitive Certificate to be registered during the period of 15 days ending on a Periodic Distribution Date or a Dissolution Date or any other date on which any payment of the face amount or payment of any profit in respect of a Certificate falls due.

### 3.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Representative Agreement. The regulations may be changed by the Issuer from time to time with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

## 4. STATUS AND LIMITED RECOURSE

### 4.1 Status

Each Certificate evidences an undivided beneficial ownership interest in the Lease Certificate Assets on a *pro rata* basis, subject to the terms of the Representative Agreement and these Conditions, and is a direct, unsubordinated, unsecured and limited recourse obligation of the Issuer. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

The payment obligations of Ziraat Katılım (in any capacity) under the Transaction Documents to which it is a party are and will be direct, unconditional, unsubordinated and (subject to the provisions described in Condition 5 (*Negative Pledge*)) unsecured obligations of Ziraat Katılım and will at all times rank *pari passu* among themselves and (save for certain obligations required to be preferred by law and subject to the provisions described in Condition 5 (*Negative Pledge*)) at least equally with all its other present and future unsubordinated and unsecured obligations from time to time outstanding.

### 4.2 Limited Recourse

The proceeds of the Lease Certificate Assets are the sole source of payments due in respect of the Certificates. Save as provided in the next paragraph, the Certificates do not represent an interest in or obligation of any of the Issuer, Ziraat Katılım, the Representative, any of the Agents or any of their respective affiliates. Accordingly, by subscribing for or acquiring the Certificates, Certificateholders acknowledge that:

- (a) notwithstanding anything to the contrary contained in these Conditions or any Transaction Document, they will have no recourse to any assets of the Issuer (and/or its authorised representatives, officers, administrators or employees), the Representative or the Agents and/or its authorised representatives, officers, administrators, employees or shareholders in respect of any shortfall in the expected amounts from the Lease Certificate Assets to the extent the Lease Certificate Assets have been exhausted following which all obligations of the Issuer shall be extinguished; and
- (b) any recourse to the assets of Ziraat Katılım shall be limited to the Lease Certificate Assets, which include obligations of Ziraat Katılım under the Transaction Documents to which it is a party.

Ziraat Katılım is obliged to make certain payments under the relevant Transaction Documents to which it is a party directly to the Issuer for and on behalf of the Certificateholders, and the Representative will have recourse against Ziraat Katılım to recover such payments.

The net proceeds of realisation of, or enforcement with respect to, the Lease Certificate Assets may not be sufficient to make all payments due in respect of the Certificates. If, following the distribution of such proceeds, there remains a shortfall in payments due under the Certificates, subject to Condition 16 (*Enforcement and Exercise of Rights*), no holder of Certificates will have any claim against the Issuer (to the extent the Lease Certificate Assets have been exhausted) or Ziraat Katılım (to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Representative, the Agents or any of their respective affiliates or against any of their respective assets, in respect of such shortfall and any unsatisfied claims of Certificateholders shall be extinguished. In particular, no holder of Certificates will be able to petition for, or join any other person in instituting proceedings for, the reorganisation, liquidation, winding up or receivership of the Issuer, Ziraat Katılım, the Representative, the Agents or any of their respective affiliates as a consequence of such shortfall or otherwise.

For the avoidance of doubt: (i) the Lease Certificate Assets do not constitute collateral or a security interest in favour of the Certificateholders, the Issuer or the Representative; and (ii) the laws and regulations applicable in each of England and Türkiye do not regard the Lease Certificate Assets as collateral or a security interest in favour of the Certificateholders, the Issuer or the Representative.

#### 4.3 Agreement of Certificateholders

By subscribing for or acquiring the Certificates, each Certificateholder acknowledges that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) no payment of any amount whatsoever shall be made by or on behalf of the Issuer, the Representative or any of their directors, shareholders, officers, employees or agents on their behalf except to the extent funds are available therefor from the relevant Lease Certificate Assets;
- (b) no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee or other amount hereunder or any other obligation or claim arising out of or based upon any Transaction Document, against the Issuer (acting in any capacity), the Representative, the Agents or any of their respective agents to the extent the Lease Certificate Assets have been exhausted following which all obligations of the Issuer (acting in any capacity), the Representative and the Agents shall be extinguished;
- (c) prior to the date which is one year and one day after the date on which all due amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, it will petition for, not institute against, or join with any other person in instituting against, the Issuer or any of its directors, officers, employees, agents, shareholders or affiliates any bankruptcy, reorganisation, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and
- (d) no recourse under any obligation, covenant or agreement contained in any Transaction Document shall be had against any officer, agent or director of the Issuer, by the enforcement of any assessment or by any proceeding, by virtue of any statute or otherwise. The obligations of the Issuer under the Transaction Documents to which it is a party are corporate or limited liability obligations of the Issuer and no personal liability shall attach to or be incurred by the officers, agents, shareholders or directors of the Issuer save in the case of their wilful default or actual fraud. Reference in these Conditions to wilful default or actual fraud means a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and
- (e) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations by the Issuer under the Certificates.

#### 5. NEGATIVE PLEDGE

So long as any Certificate remains outstanding, Ziraat Katılım covenants and undertakes with the Issuer that it shall not create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Indebtedness or Sukuk Obligation or any Guarantee of Indebtedness or any Guarantee of any Sukuk Obligation, other than a Permitted Security Interest, without: (a) at the same time or prior thereto securing its obligations under the Transaction Documents to which it is a party equally and rateably therewith; or (b) providing such other security for those obligations as may be approved by holders of the Certificates by an Extraordinary Resolution.

6. **THE ASSET LEASING CORPORATION**

6.1 **Issuer established as an 'asset leasing corporation'**

Pursuant to the Representative Agreement entered into between Ziraat Katılım, the Issuer and the Representative on the Closing Date, the Issuer confirms that it has been established pursuant to the Sukuk Communiqué as an 'asset leasing corporation' and that it will hold the Lease Certificate Assets in its own name and on its own behalf and for the account and benefit of the Certificateholders and the income accruing to the Issuer from the Sukuk Assets, together with any capital arising from disposal of such Sukuk Assets, shall be for the benefit of, and shall be accounted by the Issuer to, the Certificateholders.

6.2 **Lease Certificate Assets**

The "**Lease Certificate Assets**" will comprise, so long as the Sukuk Communiqué permits:

- (a) the net proceeds of the issue of the Certificates (the "**Issuance Proceeds**"), pending the application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets and the obligations of the Service Agent to make payments under the Service Agency Agreement;
- (c) all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement and other than: (i) in relation to any representation given by Ziraat Katılım to the Issuer or the Representative pursuant to any of the Transaction Documents; and (ii) the covenants given to the Issuer pursuant to clause 18 (*Remuneration and Indemnification*) of the Representative Agreement);
- (d) all monies standing to the credit of the Transaction Account from time to time; and
- (e) all proceeds of the foregoing.

6.3 **Application of Proceeds from the Lease Certificate Assets**

On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) *first*, (to the extent not previously paid) to the Representative and any Appointee (as defined in the Representative Agreement) in respect of all amounts owing to it under the Transaction Documents in its capacity as Representative or Appointee (as the case may be);
- (b) *second*, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due and unpaid;
- (c) *third, pari passu* and rateably to the extent not paid by Ziraat Katılım in accordance with the terms of the Agency Agreement, to each Agent in respect of all amounts owing to such Agent under the Agency Agreement or the other Transaction Documents in its capacity as Agent;
- (d) *fourth*, only if such payment is made on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of the Dissolution Distribution Amount; and
- (e) *fifth*, only if such payment is made on a Dissolution Date, to Ziraat Katılım in its capacity as Service Agent to retain as an incentive payment in accordance with the Service Agency Agreement.

## 7. ISSUER COVENANTS

The Issuer covenants that for so long as any Certificate is outstanding (as defined in the Representative Agreement), except as contemplated in the Transaction Documents, it shall not (without the prior written consent of the Representative):

- (a) incur any indebtedness in respect of borrowed money whatsoever (including any Islamic financing), or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights in respect of shares or securities convertible into or exchangeable for shares);
- (b) secure any of its present or future indebtedness for borrowed money or any other certificates issued by it by any lien, pledge, charge, mortgage or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law);
- (c) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Lease Certificate Assets except pursuant to the Transaction Documents;
- (d) subject to Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) without the prior approval of the Representative or the Certificateholders by way of Extraordinary Resolution;;
- (e) have any subsidiaries or employees;
- (f) redeem any of its shares or pay any dividend or make any other distribution to its shareholders (excluding any consideration payable by the Issuer (acting in any capacity) to Ziraat Katılım (acting in any capacity) as contemplated by the Transaction Documents or these Conditions);
- (g) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (h) prior to the date which is one year and one day after the date on which all due amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (i) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or any permitted amendment or supplement thereto or as expressly permitted or required thereunder or engage in any business or activity other than:
  - (i) any such contract, transaction, amendment, obligation or liability in relation to its operations that is of a routine or administrative nature;
  - (ii) as provided for or permitted in the Transaction Documents;
  - (iii) the ownership, management and disposal of the Lease Certificate Assets as provided in the Transaction Documents; and
  - (iv) such other matters which are incidental thereto.

## 8. PERIODIC DISTRIBUTION PROVISIONS

### 8.1 Periodic Distribution Amounts

The Issuer shall distribute to Certificateholders, out of amounts transferred to the Transaction Account in accordance with the Transaction Documents, Periodic Distribution Amounts, *pro rata* to their respective holdings on each Periodic Distribution Date in arrear in respect of the Return Accumulation Period ending immediately before that Periodic Distribution Date, in accordance with these Conditions. There will be a long first Return Accumulation Period from, and including, the Closing Date to, but excluding, the first Periodic Distribution Date.

Profit to be paid in respect of the Certificates shall accrue at 9.375 per cent. per annum payable semi-annually in arrear. Subject to these Conditions, profit distributions to be paid (i) on the first Periodic Distribution Date (in respect of the period from (and including) the Return Accumulation Commencement Date to (but excluding) the first Periodic Distribution Date) shall be U.S.\$48.4375 per U.S.\$1,000 in face amount of the Certificates and (ii) on each successive Periodic Distribution Date shall be U.S.\$46.875 per U.S.\$1,000 in face amount of the Certificates.

### 8.2 Determination of Periodic Distribution Amount Payable other than on a Periodic Distribution Date

If a Periodic Distribution Amount is required to be calculated in respect of a period of less than a full Return Accumulation Period, it shall be calculated as an amount equal to the product of:

- (a) 9.375 per cent. per annum;
- (b) the face amount of the Certificate; and
- (c) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, "**Day Count Fraction**" means, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

### 8.3 Cessation of Profit Entitlement

No further amounts will be payable on any Certificate from and including the relevant Dissolution Date, unless default is made in the payment of the Dissolution Amount as a result of the failure of Ziraat Katilim to pay the relevant Exercise Price and enter into a sale agreement in accordance with the terms of the Purchase Undertaking or the Sale and Substitution Undertaking, as the case may be, in which case Periodic Distribution Amounts will continue to accrue in respect of the Certificates in the manner provided in this Condition 8 (*Periodic Distribution Provisions*) to the earlier of: (i) the Relevant Date; or (ii) the date on which a sale agreement is executed pursuant to the Sale and Substitution Undertaking or the Purchase Undertaking, as the case may be. For the avoidance of doubt, in the event that the relevant Dissolution Date falls after the Scheduled Dissolution Date, no profit will accrue from and including the Scheduled Dissolution Date.

## 9. PAYMENT

Payment of Dissolution Amounts and Periodic Distribution Amounts will be made by transfer to the registered account (as defined below) of a Certificateholder. Payments of Dissolution Amounts (where all of the Certificates are to be redeemed in full) will only be made against surrender of the relevant Certificate (or the certificate representing such Certificate) at the specified office of the Registrar or the Principal Paying Agent. Dissolution Amounts and Periodic Distribution Amounts will be paid to the Certificateholder shown on the Register at the close of business on the relevant Record Date.

For the purposes of this Condition 9, a Certificateholder's "**registered account**" means the U.S.\$ account maintained by or on behalf of such Certificateholder with a bank that processes payments in U.S. dollars, details of which appear on the Register at the close of business on the relevant Record Date.

All such payments will be made subject to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions described in Condition 13 (*Taxation*). No commission or expenses shall be charged to the Certificateholders in respect of such payments.

Payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the Payment Business Day preceding the due date for payment or, in the case of a payment of face amounts (where all of the Certificates are to be redeemed in full) if later, on the Payment Business Day on which the relevant Certificate is surrendered (where such surrender is required) at the specified office of the Registrar or the Principal Paying Agent (for value as soon as practicable thereafter).

Certificateholders will not be entitled to any payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day, if the Certificateholder is late in surrendering its Certificate (if required to do so in accordance with this Condition 9 (*Payment*)).

If a Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount of such Dissolution Amount or Periodic Distribution Amount, as the case may be, in fact paid.

## **10. AGENTS**

### **10.1 Agents of the Issuer**

In acting under the Agency Agreement and in connection with the Certificates, the Agents act solely as agents of the Issuer and (to the extent provided therein) and the Representative and do not assume any obligations towards or relationship of agency or trust for or with any of the Certificateholders or any other party under the Transaction Documents.

### **10.2 Specified Offices**

The names of the initial Agents and their initial specified offices are set out in the Agency Agreement. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint additional or other Agents, provided that:

- (a) there will at all times be a Principal Paying Agent;
- (b) there will at all times be a Transfer Agent; and
- (c) there will at all times be a Registrar (which may be the Principal Paying Agent).

Notice of any variation, termination or appointment and of any changes in specified offices will be given to the Certificateholders promptly by the Issuer in accordance with Condition 18 (*Notices*).

## **11. CAPITAL DISTRIBUTIONS**

### **11.1 Scheduled Dissolution**

Unless the Certificates are redeemed, purchased and/or cancelled earlier, each Certificate shall be redeemed on the Scheduled Dissolution Date at its Dissolution Distribution Amount. Upon payment in full of the Dissolution Distribution Amount, the Certificates shall cease to represent undivided ownership interests in the Lease Certificate Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

### **11.2 Early Dissolution for Tax Reasons**

If a Tax Event occurs, upon receipt by the Issuer of an Exercise Notice from Ziraat Katılım in accordance with the Sale and Substitution Undertaking, the Certificates shall be redeemed by the Issuer in whole, but not in part, on any date (such date, the "**Early Tax Dissolution Date**") upon giving not less than 30 nor more than 60 days' notice to the Representative and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable)

at the Early Tax Dissolution Amount, where "**Tax Event**" means the determination by Ziraat Katılım that:

- (a) (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 13 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Closing Date; and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it; or
- (b) (i) Ziraat Katılım has or will become obliged to pay additional amounts pursuant to any Transaction Document to which it is a party as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective after the Closing Date; and (ii) such obligation cannot be avoided by Ziraat Katılım taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which: (1) (in the case of (a) above) the Issuer would be obliged to pay such additional amounts if a payment in respect of the Certificates were then due; or (2) (in the case of (b) above) Ziraat Katılım would be obliged to pay such additional amounts if a payment to the Issuer under the relevant Transaction Document was then due.

Prior to the publication of any notice of redemption pursuant to this Condition 11.2, the Issuer shall deliver to the Representative: (A) a certificate signed by two directors of the Issuer (in the case of paragraph (a) above) or two directors of Ziraat Katılım (in the case of paragraph (b) above) stating that the Issuer is entitled to effect such dissolution and redemption and setting forth a statement of facts showing that the conditions precedent in paragraph (a) or (b) above to the right of the Issuer so to dissolve have occurred; and (B) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, Ziraat Katılım has or will become obliged to pay such additional amounts as a result of such change or amendment. The Representative shall be entitled to accept (without further investigation) any such certificate and opinion as sufficient evidence thereof without incurring any liability to any person in which event it shall be conclusive and binding on the Certificateholders.

Upon the expiry of any such notice as is referred to in this Condition 11.2, the Issuer shall be bound to redeem the Certificates at the Early Tax Dissolution Amount and, upon payment in full of the Early Tax Dissolution Amount to the Certificateholders, the Certificates shall cease to represent interests in the Lease Certificate Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

### 11.3 **Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)**

If a Tangibility Event occurs, upon receipt by the Issuer of a Tangibility Event Issuer Notice from Ziraat Katılım in accordance with the Service Agency Agreement, the Issuer shall promptly give notice to the Representative and the Certificateholders (a "**Tangibility Event Notice**") in accordance with Condition 18 (*Notices*) specifying:

- (a) that a Tangibility Event has occurred, together with an explanation of the reasons for, and evidence of, such occurrence;
- (b) that as determined in consultation with the *Shari'a* Adviser, the Certificates should be tradable only in accordance with the *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis);
- (c) on the date falling 15 days following the Tangibility Event Put Right Date, the Certificates will be delisted from any stock exchange (if any) on which the Certificates have been admitted to trading or if such date is not a business day, the next following business day ("**business day**" being, for this purpose, a day on which the stock exchange on which the Certificates are admitted to trading is open for business); and

- (d) the Tangibility Event Put Period, during which period any Certificateholder shall have the right to require the redemption of all or any of its Certificates.

Upon receipt of the Tangibility Event Notice, the holder of any Certificates may elect (the "**Tangibility Event Put Right**") within the Tangibility Event Put Period to require the redemption of all or any of its Certificates.

If any Certificateholder exercises its right to redeem its Certificates in accordance with this Condition 11.3, the Issuer shall redeem such Certificates on the Tangibility Event Put Right Date at the Tangibility Event Dissolution Amount.

If the relevant Certificate is represented by a definitive Certificate and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Certificate must deposit its Certificates with the Principal Paying Agent on any business day in the city of the specified office of the Principal Paying Agent falling within the Tangibility Event Put Period, giving notice to the Principal Paying Agent of such exercise (a "**Tangibility Event Put Notice**") in the form obtainable from the Principal Paying Agent or the Registrar.

If the relevant Certificate is represented by a Global Certificate and/or held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Certificate must, within the Tangibility Event Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Tangibility Event Put Notice in the form obtainable from the Principal Paying Agent or the Registrar) and at the same time present or procure the presentation of the Global Certificate to the Principal Paying Agent for notation accordingly.

No Tangibility Event Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Certificate pursuant to this Condition 11.3 may be withdrawn without the prior consent of the Issuer except where, prior to the due date of redemption, a Dissolution Event has occurred and the Representative has declared the Certificates are to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 11.3.

If all (and not some only) of the Certificates are to be redeemed on any Tangibility Event Put Right Date in accordance with this Condition 11.3, upon payment in full of the Tangibility Event Dissolution Amount to the Certificateholders, the Certificates shall cease to represent interests in the Lease Certificate Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

For the avoidance of doubt, neither the Representative nor any Agent will have any responsibility for monitoring or ensuring compliance with any such *Shari'a* principles of debt trading (such as the principle that debt is to be traded against tangible assets and/or eligible commodities on a spot settlement basis) referred to in (b) above nor shall it be liable to any Certificateholder or any other person in respect thereof.

#### 11.4 **Dissolution at the Option of the Certificateholders (Change of Control Put Right)**

The Issuer, upon receipt of notice from Ziraat Katılım or otherwise upon becoming aware of the occurrence of a Change of Control, and at any time following the occurrence of a Change of Control, shall promptly give notice (a "**Change of Control Notice**") to the Representative and the Certificateholders in accordance with Condition 18 (*Notices*) of the Change of Control, specifying the nature and details of the Change of Control and require Certificateholders to elect (the "**Change of Control Put Right**") at any time during the period of 30 days from and including the date on which the Change of Control Notice is given (the "**Change of Control Put Period**") if they wish all or any of their Certificates to be redeemed.

If a Change of Control occurs, upon a Certificateholder electing to redeem its Certificates, the Issuer shall redeem such Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Amount.

If the relevant Certificate is represented by a definitive Certificate and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Certificate must deposit its Certificates with the Principal Paying Agent on any business day in the city of the specified office of the Principal Paying Agent falling within the Change of Control Put Period, giving notice to the Principal Paying Agent of such exercise (a "**Change of Control Exercise Notice**") in the form obtainable from the Principal Paying Agent or the Registrar.

If the relevant Certificate is represented by a Global Certificate and/or held through Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption thereof the holder of such Certificate must, within Change of Control Put Period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Certificateholder's instruction by Euroclear and Clearstream, Luxembourg or any depositary or custodian (as applicable) for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time (which shall, if acceptable to the relevant clearing system, be in the form of a duly completed Change of Control Exercise Notice in the form obtainable from the Principal Paying Agent or the Registrar) and at the same time present or procure the presentation of the Global Certificate to the Principal Paying Agent for notation accordingly.

No Change of Control Exercise Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Certificate pursuant to this Condition 11.4 may be withdrawn without the prior consent of the Issuer except where, prior to the due date of redemption, a Dissolution Event has occurred and the Representative has declared the Certificates are to be redeemed pursuant to Condition 15 (*Dissolution Events*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 11.4.

If all (and not some only) of the Certificates are to be redeemed on any Change of Control Put Right Date in accordance with this Condition 11.4, upon payment in full of the Change of Control Dissolution Amount to the Certificateholders, the Certificates shall cease to represent interests in the Lease Certificate Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

**11.5 Dissolution at the Option of Ziraat Katlim (Clean Up Call Right)**

If 75 per cent. or more of the aggregate face amount of the Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to this Condition 11 (*Capital Distributions*) or Condition 12 (*Purchase and Cancellation of Certificates*), and upon receipt of an Exercise Notice from Ziraat Katlim in accordance with the Sale and Substitution Undertaking, the Issuer shall redeem the Certificates in whole but not in part, on the Issuer giving not less than 30 days' nor more than 60 days' notice to the Representative and the Certificateholders in accordance with Condition 18 (*Notices*) (which notice shall be irrevocable) on the date specified in such notice (the "**Clean Up Call Right Dissolution Date**") at the Clean Up Call Right Dissolution Amount.

**11.6 Dissolution Following a Dissolution Event**

Upon the occurrence of a Dissolution Event, the Certificates shall be redeemed at the Dissolution Event Amount, subject to and as more particularly described in Condition 15 (*Dissolution Events*) and this Condition 11 (*Capital Distributions*).

**11.7 No other Dissolution**

Neither the Issuer nor the Certificateholders shall be entitled to redeem, or cause to be redeemed, as applicable, the Certificates, otherwise than as provided in this Condition 11 (*Capital Distributions*) and Condition 15 (*Dissolution Events*).

11.8 **Cancellation**

All Certificates which are redeemed will forthwith be forwarded by or on behalf of the Issuer to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

12. **PURCHASE AND CANCELLATION OF CERTIFICATES**

12.1 **Purchases**

Ziraat Katılım and/or any of its Subsidiaries may at any time purchase Certificates at any price in the open market or otherwise at any price. Following any purchase of Certificates pursuant to this Condition 12.1, such Certificates may be held, resold or, at the discretion of the holder thereof, cancelled (subject to such Certificates being deemed not to remain outstanding for certain purposes as provided under the Representative Agreement and these Conditions if so held, as more particularly set out in Condition 19 (*Meetings of Certificateholders, Modification, Waiver, Authorisation and Determination*)).

12.2 **Cancellation**

Upon receipt of a Redemption and Cancellation Notice from Ziraat Katılım in accordance with the Sale and Substitution Undertaking, Certificates purchased by or on behalf of Ziraat Katılım or any of its Subsidiaries and identified for cancellation in such Redemption and Cancellation Notice will forthwith be forwarded by or on behalf of the Issuer to the Registrar, cancelled and destroyed and accordingly may not be held, reissued or resold.

13. **TAXATION**

All payments in respect of the Certificates shall be made in U.S.\$ without set-off or counterclaim of any kind and free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or within Relevant Jurisdiction or any authority therein or thereof having power to tax ("**Taxes**"), unless the withholding or deduction of the Taxes is required by law. In such event, the Issuer will pay additional amounts as will result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

- (a) the holder of which is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date except to the extent that a holder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day.

Notwithstanding anything to the contrary in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts required by Sections 1471 to 1474 inclusive of the U.S. Internal Revenue Code of 1986, as amended ("**FATCA**"), any treaty, law, regulation or other official guidance implementing FATCA, or any agreement (or related guidance) between the Trustee, a paying agent or any other person and the United States, any other jurisdiction, or any authority of any of the foregoing implementing FATCA and none of the Issuer, any paying agent or any other person shall be required to pay any additional amounts with respect to any such withholding or deduction imposed on or with respect to any Certificate.

In these Conditions, references to a Dissolution Amount or any Periodic Distribution Amount payable in respect of a Certificate shall be deemed to include any additional amounts payable under this Condition 13.

*The Service Agency Agreement and the Purchase Undertaking provide that payments thereunder by Ziraat Katılım shall be made without withholding or deduction for, or on account of, any Taxes,*

*unless the withholding or deduction of the Taxes is required by law and without set-off (save as set out in clause 9.2 of the Service Agency Agreement) or counterclaim of any kind, and in the event that there is such deduction or withholding, provides for the payment by Ziraat Katılım of all additional amounts as will result in the receipt by the Issuer or the Representative, as the case may be, of such net amounts as would have been received by it if no withholding or deduction had been made.*

14. **PRESCRIPTION**

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of 10 years (in the case of the Dissolution Amounts) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof.

15. **DISSOLUTION EVENTS**

15.1 If any of the following events occurs and is continuing (each, a "**Dissolution Event**"):

- (a) (i) default is made in the payment of a Dissolution Amount on the date fixed for payment thereof or (ii) default is made in the payment of any Periodic Distribution Amount on the due date for payment thereof and, in the case of the relevant Dissolution Amount, such default continues unremedied for a period of seven days and, in the case of a Periodic Distribution Amount, such default continues unremedied for a period of 14 days; or
- (b) the Issuer fails to perform or comply with any one or more of its other duties, obligations or undertakings under the Certificates or the Transaction Documents to which it is a party, which failure is, in the sole opinion of the Representative, incapable of remedy or, if in the sole opinion of the Representative is capable of remedy, is not remedied within the period of 30 days following the service by the Representative of a written notice on the Issuer requiring the same to be remedied; or
- (c) a Ziraat Katılım Event occurs; or
- (d) the Issuer is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer; or
- (e) a corporate administrator of all or substantially all of the undertaking assets and revenues of the Issuer is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer, or the Issuer applies or petitions for a winding-up or administration order in respect of itself or ceases or through an official action of its board of directors threatens to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by an Extraordinary Resolution or the Representative; or
- (f) an order or decree is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or
- (g) any event occurs that under the laws of the Türkiye has an analogous effect to any of the events referred to in paragraphs (d), (e) or (f) above; or
- (h) any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer and is not discharged or stayed within 30 days; or
- (i) the Issuer repudiates any, or any part of a, Certificate or Transaction Document to which it is a party or does or causes to be done any act or thing evidencing an intention to repudiate any, or any part of a, Certificate or Transaction Document to which it is a party; or

- (j) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order: (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents to which it is a party; (ii) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (iii) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of Türkiye is not taken, fulfilled or done; or
- (k) at any time it is or will become unlawful or impossible for the Issuer (by way of insolvency or otherwise) to perform or comply with any or all of its duties, obligations and undertakings under the Certificates or the Transaction Documents or any of the obligations of the Issuer under the Certificates or the Transaction Documents are not or cease to be legal, valid, binding and enforceable,

the Representative, upon receiving written notice thereof in accordance with the Representative Agreement and subject to it being indemnified and/or secured and/or prefunded to its satisfaction, shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 18 (Notices) with a request to such holders to indicate to the Issuer and the Representative if they wish the Certificates to be redeemed. Following the issuance of such notice, the Representative in its sole discretion may, and if so requested by Extraordinary Resolution or in writing by the holders of at least 25 per cent. of the aggregate face amount of Certificates then outstanding shall, (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (a "**Dissolution Notice**") to the Issuer, Ziraat Katılım and the holders of the Certificates in accordance with Condition 18 (Notices) that the Certificates are immediately due and payable at the Dissolution Event Amount, on the date of such notice (the "**Dissolution Event Redemption Date**"), whereupon they shall become so due and payable.

Upon receipt of such Dissolution Notice, the Issuer (failing which, subject to being indemnified and/or prefunded to its satisfaction, the Representative) shall deliver an Exercise Notice to Ziraat Katılım under the Purchase Undertaking. The Issuer (or the Representative in the name of the Issuer) shall use the proceeds thereof, to redeem the Certificates at the relevant Dissolution Event Amount on the Dissolution Event Redemption Date. Upon payment in full of such amounts, the Certificates shall cease to represent interests in the Lease Certificate Assets and no further amounts shall be payable in respect thereof and the Issuer shall have no further obligations in respect thereof.

For the purposes of this Condition 15, "**Ziraat Katılım Event**" shall mean each of the following events:

- (i) if default is made in the payment by Ziraat Katılım (acting in any capacity) of (1) any amount in the nature of principal payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of seven days; or (2) any amount in the nature of profit payable by it pursuant to any Transaction Document to which it is a party and the default continues for a period of 14 days; or
- (ii) if Ziraat Katılım (acting in any capacity): (1) fails to perform or observe any one or more of its other obligations under the Transaction Documents (other than its obligations as set out in clause 3.1(b) of the Service Agency Agreement (save for the delivery of the Tangibility Event Issuer Notice)), which failure is, in the sole opinion of the Representative, incapable of remedy or, if in the sole opinion of the Representative capable of remedy, is not, in the sole opinion of the Representative, remedied within the period of 30 days following the service by the Representative on Ziraat Katılım of notice requiring the same to be remedied; or
- (iii) (1) any Relevant Indebtedness of Ziraat Katılım or any of its Material Subsidiaries (other than Relevant Indebtedness arising solely out of or in connection with any lease certificates (howsoever described) issued on behalf, or for the benefit, of third parties though a Subsidiary of Ziraat Katılım that is an 'asset leasing company') is not paid when due or (as the case may be) within any originally applicable grace period; (2) any such Relevant Indebtedness (other than Relevant Indebtedness arising solely out of or in

connection with any lease certificates (howsoever described) issued on behalf, or for the benefit, of third parties through a Subsidiary of Ziraat Katılım that is an 'asset leasing company') becomes due and payable prior to its stated maturity by reason of default (howsoever described); or (3) Ziraat Katılım or any of its Material Subsidiaries fails to pay when due or (as the case may be) within any originally applicable grace period any amount payable by it under any guarantee of any Relevant Indebtedness (other than Relevant Indebtedness arising solely out of or in connection with any lease certificates (howsoever described) issued on behalf, or for the benefit, of third parties through a Subsidiary of Ziraat Katılım that is an 'asset leasing company'), provided that each such event shall not constitute a Ziraat Katılım Event unless the aggregate amount of all such Relevant Indebtedness, either alone or when aggregated with all other Relevant Indebtedness in respect of which such an event shall have occurred and be continuing, shall be more than U.S.\$20,000,000 (or its equivalent in any other currency or currencies); or

- (iv) one or more judgments or orders for the payment of any sum in excess of U.S.\$20,000,000 (or its equivalent in any other currency or currencies) is rendered against Ziraat Katılım or any of its Material Subsidiaries (other than Relevant Indebtedness arising solely out of or in connection with any lease certificates (howsoever described) issued on behalf, or for the benefit, of third parties through a Subsidiary of Ziraat Katılım that is an 'asset leasing company') and continues unsatisfied, unstayed and unappealed for a period of 30 days after the date thereof (or, if appealed, the appeal is unsuccessful and thereafter the judgment continues unsatisfied and unstayed for a period of 30 days); or
- (v) any order is made by any competent court or resolution passed for the winding-up or dissolution of Ziraat Katılım or any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties), save in connection with a Permitted Reorganisation; or
- (vi) Ziraat Katılım or any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties) ceases or threatens to cease to carry on all or substantially all of its business, save in connection with a Permitted Reorganisation, or Ziraat Katılım or any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties) stops or threatens to stop payment of, or is unable to, or admits its inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (vii) (1) any court or other formal proceedings are initiated under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official (and such proceedings are not being actively contested in good faith by Ziraat Katılım or any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties)), or an administrative or other receiver, manager, administrator or other similar official is appointed, in each case against or in relation to Ziraat Katılım or any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties) or, as the case may be, in relation to all or substantially all of the undertaking or assets of Ziraat Katılım, or all or substantially all of the undertaking or assets of such Material Subsidiary, in each case, save in connection with a Permitted Reorganisation; and/or (2) an encumbrancer takes possession of all or substantially all of the undertaking or any asset or assets of Ziraat Katılım, or all or substantially all of the undertaking or any asset or assets of any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties), or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force

against any of the same, provided, in each case, that the aggregated value of such asset or assets is in excess of U.S.\$20,000,000 (or its equivalent in any other currency or currencies); and (3) any such event as is mentioned in (1) or (2) above (other than the appointment of an administrator) is not discharged within 30 days; or

- (viii) Ziraat Katılım or any of its Material Subsidiaries (other than any Subsidiary of Ziraat Katılım that is an 'asset leasing company' solely issuing lease certificates (howsoever described) on behalf, or for the benefit, of third parties) initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors) save in connection with a Permitted Reorganisation; or
- (ix) any event occurs which under the laws of Türkiye or any other jurisdiction has an analogous effect to any of the events referred to in paragraphs (v) to (viii) above; or
- (x) at any time it is or becomes unlawful for Ziraat Katılım to perform or comply with any or all of its obligations under or in respect of any Transaction Document or any of the material obligations of Ziraat Katılım thereunder are not or cease to be legal, valid, binding or enforceable; or
- (xi) any process of expropriation, attachment, sequestration, distress or execution is taken in respect of any asset or assets of Ziraat Katılım if the aggregated value of such asset or assets is in excess of U.S.\$20,000,000 (or its equivalent in another currency or currencies) and is not, if contested in good faith by Ziraat Katılım, discharged or dismissed within 30 days of any of the same affecting such asset or assets; or
- (xii) the banking licence of Ziraat Katılım is revoked, suspended or withdrawn; or
- (xiii) any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order to enable Ziraat Katılım lawfully to exercise its rights and perform and comply with its obligations is under or in respect to the Transaction Documents is not taken, fulfilled or done.

## 16. ENFORCEMENT AND EXERCISE OF RIGHTS

### 16.1 Enforcement and Exercise of Rights

Upon the occurrence of a Dissolution Event and delivery of a Dissolution Notice, to the extent any amount payable in respect of the Certificates has not been paid in full, the Issuer (or the Representative, acting in the name and on behalf of the Issuer), (subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction), may (acting for the benefit of the Certificateholders) take one or more of the following steps:

- (a) enforce Ziraat Katılım's obligations under the Transaction Documents to which Ziraat Katılım is a party; and/or
- (b) take such other steps as the Issuer or the Representative (acting in the name and on behalf of the Issuer) may consider necessary to recover amounts due to the Certificateholders.

### 16.2 Limitation on Liability of the Issuer

Following the enforcement, realisation and ultimate distribution of the proceeds of the Lease Certificate Assets in respect of the Certificates to the Certificateholders in accordance with these Conditions and the Representative Agreement, the Issuer shall not be liable for any further sums,

and accordingly no Certificateholder may take any action against the Issuer or any other Person to recover any such sum in respect of the Certificates or Lease Certificate Assets.

**16.3 Representative not Obligated to take Action**

The Representative shall not be bound in any circumstances to take any action to enforce or to realise the Lease Certificate Assets or take any action, step or proceedings against Ziraat Ktilim and/or the Issuer under any Transaction Document unless directed or requested to do so by Extraordinary Resolution or in writing by the holders of at least 25 per cent. in aggregate face amount of the Certificates then outstanding and subject, in each case, to it being indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.

**16.4 Direct enforcement by Certificateholders**

No Certificateholder shall be entitled to proceed directly against the Issuer or Ziraat Katılım, under any Transaction Document, unless the Representative, having become so bound to proceed: (a) fails to do so within 30 days of becoming so bound; or (b) is unable by reason of an order of a court having competent jurisdiction, and such failure or inability is continuing. Under no circumstances shall the Issuer, the Representative or any Certificateholder have any right to cause the sale or other disposition of any of the Lease Certificate Assets (other than as expressly contemplated in the Transaction Documents and/or these Conditions), and the sole right of the Issuer, the Representative and the Certificateholders against the Issuer and Ziraat Katılım, as applicable, shall be to enforce their respective obligations under the Transaction Documents.

**16.5 Limited Recourse**

Conditions 16.1 (*Enforcement and Exercise of Rights*), 16.2 (*Limitation on Liability of the Issuer*), 16.3 (*Representative not Obligated to take Action*), and 16.4 (*Direct enforcement by Certificateholders*) are subject to this Condition 16.5. After enforcing or realising the Lease Certificate Assets in respect of the Certificates and distributing the net proceeds of the Lease Certificate Assets in accordance with Condition 6.3 (*Application of Proceeds from the Lease Certificate Assets*) and the Representative Agreement, the obligations of the Issuer in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Issuer or the Representative or any other Person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

**17. REPLACEMENT OF CERTIFICATES**

Should any definitive Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer and/or the Registrar may reasonably require (in light of prevailing market practice). Mutilated or defaced definitive Certificates must be surrendered and cancelled before replacements will be issued.

**18. NOTICES**

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) approved by the Representative; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses recorded in the Register.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to trading and/or quotation (as applicable).

Any notice shall be deemed to have been given on the fourth day (being a day other than Saturday or Sunday) after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication.

So long as the Global Certificate representing the Certificates is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg, there may be substituted for such publication in such newspaper(s) or such mailings the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by them to the Certificateholders, provided that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given to the Certificateholders on the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Certificateholder shall be in writing and given by lodging the same with the Principal Paying Agent. Whilst any of the Certificates are represented by the Global Certificate, such notice may be given by any holder of a Certificate to the Principal Paying Agent through Euroclear and Clearstream, Luxembourg, in such manner as the Principal Paying Agent and Euroclear and Clearstream, Luxembourg may approve for this purpose.

Each of the Issuer and Ziraat Katılım agrees that any communication to be delivered to any other Party which is sent including by SWIFT, fax or email (including unencrypted email) shall constitute, among other evidence, legal written evidence between the Issuer and Ziraat Katılım pursuant to the provisions of Article 193 and Article 199 of the Civil Procedure Code of Türkiye (Law No. 6100) published in the Official Gazette dated 4 February 2011 and numbered 27836 (as amended from time to time).

19. **MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER, AUTHORISATION AND DETERMINATION**

19.1 The Representative Agreement contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Certificates, any of these Conditions or any provisions of the Representative Agreement. Such a meeting may be convened by the Issuer, Ziraat Katılım or the Representative, and shall be convened by the Issuer, or, subject to it being indemnified and/or secured and/or prefunded to its satisfaction, the Representative, if the Issuer or the Representative (as the case may be) receives a request in writing from Certificateholders holding not less than 10 per cent. in aggregate face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be one or more Persons holding or representing more than 50 per cent. in aggregate face amount of the Certificates for the time being outstanding, or at any adjourned meeting one or more Persons being or representing Certificateholders whatever the aggregate face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals to (each, a "**Reserved Matter**"):

- (a) amend any Dissolution Date in respect of the Certificates or any date for payment of Periodic Distribution Amounts on the Certificates;
- (b) reduce or cancel the face amount of, or any premium payable on redemption of, the Certificates;
- (c) reduce the rate of profit in respect of the Certificates or to vary the method or basis of calculating the rate or amount of profit or the basis for calculating any Periodic Distribution Amount in respect of the Certificates;
- (d) vary any method of, or basis for, calculating any Dissolution Amount;
- (e) vary the currency of payment or denomination of the Certificates;
- (f) modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass an Extraordinary Resolution;

- (g) modify or cancel the payment obligations of Ziraat Katılım (in any capacity) and/or the Issuer under the Transaction Documents and/or the Certificates (as the case may be);
- (h) amend any of Ziraat Katılım's covenants included in the Purchase Undertaking;
- (i) amend the order of application of monies set out in Condition 6.3 (*Application of Proceeds from the Lease Certificate Assets*); or
- (j) amend this definition of a Reserved Matter,

in which case the necessary quorum shall be one or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in aggregate face amount of the Certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Certificateholders (whether or not they voted on the resolution).

The Representative Agreement provides that (A) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in aggregate face amount of the Certificates outstanding or (B) a resolution approved by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) to the Principal Paying Agent or another specified agent and/or the Representative in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in face amount of the Certificates outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Any such resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders.

- 19.2 Ziraat Katılım and the Issuer, with the consent of the Representative, and the Representative may, without the consent or sanction of the Certificateholders and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time: (a) agree to any modification of any of the provisions of the Representative Agreement, the Certificates, these Conditions or any other Transaction Document that is, in the opinion of the Representative, (i) of a formal, minor or technical nature or made to correct a manifest error; or (ii) not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter provided that such modification under this subparagraph (a) is not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Certificates; or (b) (i) agree to waive or authorise any breach or proposed breach of any of the provisions of the Representative Agreement, the Certificates, these Conditions or any other Transaction Document; (ii) determine that any Dissolution Event shall not be treated as such; or (iii) provide its consent to any matter in any of the Transaction Documents, the Certificates or these Conditions, provided that such waiver, consent, authorisation or determination is in the sole opinion of the Representative not materially prejudicial to the interests of the outstanding Certificateholders and is other than in respect of a Reserved Matter and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of Certificates. No such direction or request will affect a previous waiver, consent, authorisation or determination. Any such modification, authorisation, determination, waiver or consent shall be binding on all Certificateholders and, unless the Representative agrees otherwise, such modification, waiver, consent, authorisation or determination shall be notified by the Issuer (or Ziraat Katılım on its behalf) to the Certificateholders in accordance with Condition 18 (*Notices*) as soon as practicable thereafter.

- 19.3 In connection with the exercise of its rights, powers, trusts (in the case of the Issuer only), authorities and discretions under the Representative Agreement (including, without limitation, any modification), these Conditions and each other Transaction Document, the Issuer and the Representative shall have regard to the general interests of the Certificateholders as a class and shall not have regard to any interest arising from circumstances particular to individual Certificateholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Certificateholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof or taxing jurisdiction and neither the Representative nor the Issuer shall be entitled to require, nor

shall any Certificateholder be entitled to claim from the Issue, Ziraat Katılım or the Representative or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders (except, in the case of the Issuer and Ziraat Katılım to the extent already provided for in Condition 13 (*Taxation*)).

**20. INDEMNIFICATION AND LIABILITY OF THE ISSUER AND THE REPRESENTATIVE**

- 20.1 The Representative has been appointed as trustee of the Certificateholders pursuant to the Representative Agreement.
- 20.2 The Representative Agreement contains provisions for the indemnification of the Representative in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the enforcement of any of the Certificateholders' rights in respect of the Lease Certificate Assets or the taking of any action against the Issuer or Ziraat Katılım under any Transaction Document which either the Issuer or Ziraat Katılım (as applicable) is a party, the Representative shall in no circumstances be bound to take any action unless directed or requested to do so in accordance with Condition 15 (*Dissolution Events*) or Condition 16 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction by the Certificateholders against all Liabilities which it may thereby render itself liable to incur or which it may incur by so doing.
- 20.3 The Representative makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of Ziraat Katılım or the Issuer under the Transaction Documents and shall not under any circumstances have any Liability or be obliged to account to the Certificateholders in respect of any payments which should have been made by Ziraat Katılım or the Issuer but are not so paid and shall not in any circumstances have any Liability arising from the Lease Certificate Assets other than as expressly provided in these Conditions or in the Representative Agreement.
- 20.4 The Representative may rely, without any liability to the Certificateholders on a report, confirmation, certificate or any advice of any lawyers, accountants, financial advisers, financial institution, auditors, insolvency officials or any other expert (whether or not addressed to the Representative and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Representative or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise) in accordance with or for the purposes of the Representative Agreement or the other relevant Transaction Documents. The Representative may accept and shall be entitled to rely on any such report, confirmation or certificate or advice as sufficient evidence of the facts stated therein and such report, confirmation, certificate or advice shall be binding on the Issuer and the Certificateholders. The Representative shall not be bound in any such case to call for further evidence or be responsible for any Liability or inconvenience that may be occasioned by its failure to do so.
- 20.5 Each of the Issuer and the Representative is exempted from: (i) any Liability in respect of any loss or theft of the Lease Certificate Assets; (ii) any obligation to insure the Lease Certificate Assets or any cash; (iii) any liability in respect of any defect or failure in the right or title over any of the Lease Certificate Assets; and (iv) any claim arising from the fact that the Lease Certificate Assets or any cash are held by or on behalf of the Issuer or on deposit or in an account with any depositary or clearing system or are registered in the name of the Issuer or its nominee, unless such loss or theft arises as a result of wilful default, gross negligence or fraud by the Issuer or the Representative, as the case may be.
- 20.6 The Representative Agreement also contains provisions pursuant to which the Representative is entitled, among other things: (i) to enter into contracts and transactions in the ordinary course of business with Ziraat Katılım, the Issuer or any other party to a Transaction Document or any person or body corporate directly or indirectly associated with Ziraat Katılım, the Issuer or such other party and to act as trustee or delegate in relation to, the issuance of any other debenture stock, debentures or securities of Ziraat Katılım, the Issuer or such other party or any person or body corporate directly or indirectly associated with Ziraat Katılım, the Issuer or such other party; and (ii) to retain and not be liable to account for any profit, fees, commissions, discounts or share of brokerage earned, arising or resulting from any such contracts or transactions.

- 20.7 The Representative shall not be bound to take any steps to ascertain whether any Dissolution Event has occurred and, until it shall have actual knowledge or shall have received written notice of the same in accordance with Condition 15 (*Dissolution Events*), it will be entitled to assume that no such event has occurred.

21. **RIGHTS OF THIRD PARTIES**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

22. **GOVERNING LAW AND JURISDICTION**

22.1 **Governing Law**

The Representative Agreement and the Certificates (including the remaining provisions of this Condition 22.1 and any non-contractual obligations arising out of or in connection with the Representative Agreement and the Certificates) are governed by, and shall be construed in accordance with, English law.

22.2 **Jurisdiction**

- (a) Each of the Issuer and Ziraat Katılım irrevocably agrees for the benefit of the Representative and the Certificateholders that the courts of England located in London have exclusive jurisdiction to settle any dispute, claim, difference or controversy arising out of or in connection with these Conditions, the Representative Agreement and the Certificates including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a "**Dispute**") and accordingly submits to the exclusive jurisdiction of the courts of England located in London.
- (b) Each of the Issuer and Ziraat Katılım waives any objection to the courts of England located in London on the grounds that they are an inconvenient or inappropriate forum and agrees that a judgment in any Proceedings brought in the courts of England located in London shall be conclusive and binding on it and may be enforced in the courts of any other jurisdiction.
- (c) To the extent allowed by law, the Certificateholders or the Representative may, in respect of any Dispute or Disputes, take (i) any suit, action or proceedings (together referred to as "**Proceedings**") against the Issuer or Ziraat Katılım in any other court of competent jurisdiction and (ii) concurrent Proceedings in any number of jurisdictions.

22.3 **Consent to Enforcement**

Each of the Issuer and Ziraat Katılım agrees, without limitation to the generality of any of the foregoing and without prejudice to the enforcement of a judgment obtained in the courts of England located in London according to the provisions of Article 54 of the International Private and Procedure Law of Türkiye (Law No. 5718), that in the event that any action is brought in relation to the Issuer and/or Ziraat Katılım in a court in Türkiye in connection with these Conditions, the Representative Agreement or the Certificates, in addition to other permissible legal evidence pursuant to the Civil Procedure Code of Türkiye (Law No. 6100), any judgment obtained in such courts (or, in the event that the Certificateholders or the Representative exercise the option granted to it under Condition 22.2(c) (*Jurisdiction*) to bring any Proceedings before any other court with jurisdiction other than the courts of England located in London, any judgment obtained in such court) in connection with such action shall constitute conclusive evidence of the existence and amount of the claim against the Issuer and/or Ziraat Katılım, pursuant to the provisions of the first paragraph of Articles 193 of the Civil Procedure Code of Türkiye (Law No. 6100) and Articles 58 and 59 of the International Private and Procedure Law of Türkiye (Law No. 5718).

22.4 **Appointment of Process Agent**

Each of the Issuer and Ziraat Katılım irrevocably appoints T.C. Ziraat Bankası A.Ş., London Branch of 45-47 Cornhill, London, EC3V 3PF, United Kingdom as its agent for service of process in any proceedings in England in relation to any Dispute and agrees that, in the event of T.C. Ziraat Bankası A.Ş., London Branch (or any successor agent for service of process) being unable or unwilling for any reason so to act, each of the Issuer and Ziraat Katılım will promptly appoint another person as its agent for service of process in England in respect of any Dispute or Proceedings and, failing such appointment within 15 days, the Representative shall be entitled to appoint such a person by written notice addressed to the Issuer and Ziraat Katılım and delivered to the Issuer and the Ziraat Katılım. Each of the Issuer and Ziraat Katılım agrees that failure by a process agent to notify it of any process will not invalidate service. Nothing in this Condition 22.4 shall affect the right to serve process in any other manner permitted by law.

**22.5 Waiver of immunity**

Ziraat Katılım and the Issuer have each agreed in the Representative Agreement, to the extent that the Issuer or Ziraat Katılım may in any jurisdiction claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Issuer or Ziraat Katılım or their respective assets or revenues, each of the Issuer and Ziraat Katılım irrevocably and unconditionally agrees to not claim, and irrevocably and unconditionally waive, such immunity to the fullest extent permitted by the laws of such jurisdiction. Further, each of the Issuer and Ziraat Katılım irrevocably and unconditionally consents to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings.

**23. WAIVER OF INTEREST**

23.1 Each of the Issuer, Ziraat Katılım and the Representative has irrevocably agreed in the Representative Agreement that if any Proceedings are commenced in relation to a Dispute and/or any Proceedings are brought by or on behalf of a party under the Representative Agreement, it will:

- (a) not claim interest under, or in connection with, such proceedings; and
- (b) to the fullest extent permitted by law, waive all and any entitlement it may have to interest awarded in its favour by any court as a result of such proceedings.

23.2 For the avoidance of doubt, nothing in this Condition 23 shall be construed as a waiver of rights in respect of any Portfolio Exercise Price, any Portfolio Revenues or Required Amounts (each as defined in the Service Agency Agreement), any Periodic Distribution Amounts or Dissolution Amounts, any Murabaha Profit Instalments, Murabaha Profit or Deferred Sale Price (each as defined in the Murabaha Agreement) or profit or principal of any kind howsoever described payable by the Issuer (in any capacity) or Ziraat Katılım (in any capacity) pursuant to the Transaction Documents and/or these Conditions or any other document or agreement, howsoever such amounts may be described or re-characterised by any court.

## GLOBAL CERTIFICATE

*The Global Certificate contains certain provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.*

The Certificates will be in registered form. Certificates will be issued outside the United States in reliance on Regulation S under the Securities Act.

The Certificates will initially be represented by beneficial interests in a global certificate in registered form (a "**Global Certificate**"). Prior to expiry of the distribution compliance period (as defined in Regulation S) applicable to the Certificates, beneficial interests in the Global Certificate may not be offered or sold to, or for the account or benefit of, a U.S. person and may not be held otherwise than through Euroclear or Clearstream, Luxembourg and the Global Certificate will bear a legend regarding such restrictions on transfer.

The Global Certificate will be deposited with the common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") and will be registered in the name of a nominee for the Common Depositary. Persons holding beneficial interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of definitive Certificates in fully registered form.

Payments of any amount in respect of the Global Certificate will, in the absence of provision to the contrary, be made to the person shown on the relevant Register as the registered holder of the Global Certificate. None of the Issuer, the Representative or any Agent will have any responsibility or liability for any aspect of the records relating to or payments or deliveries made on account of beneficial ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Payment of any amounts in respect of the Certificates will, in the absence of any provision to the contrary, be made to the persons shown on the Register on the relevant Record Date immediately preceding the due date for payment in the manner provided in the Conditions.

Interests in the Global Certificate will be exchangeable (free of charge), in whole but not in part, for definitive Certificates only upon the occurrence of an Exchange Event. The Issuer will promptly give notice to Certificateholders in accordance with Condition 18 (*Notices*) if an Exchange Event occurs. For these purposes, "**Exchange Event**" means that: (a) the Representative has given notice in accordance with Condition 15 (*Dissolution Events*) that a Dissolution Event has occurred and is continuing; or (b) the Issuer, Ziraat Katılım and the Representative have been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and, in any such case, no successor clearing system is available. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Global Certificate) may give notice to the Registrar requesting exchange and, in the event of the occurrence of an Exchange Event as described in (b) above, the Issuer may also give notice to the Registrar requesting exchange. Any such exchange shall occur not later than 30 days after the date of receipt of the first relevant notice by the Registrar.

For so long as any of the Certificates are represented by a Global Certificate held on behalf of Euroclear and/or Clearstream, Luxembourg, each person (other than Euroclear and/or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular face amount of such Certificates (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Representative, Ziraat Katılım and the Agents as the holder of such face amount of such Certificates for all purposes other than with respect to any payment in respect of such Certificates, for which purpose the registered holder of the Global Certificate shall be treated by the Issuer, the Representative, Ziraat Katılım and any Agent as the holder of such face amount of such Certificates in accordance with and subject to the terms of the Global Certificate and the expressions "**Certificateholder**" and "**holder**" in relation to any Certificates and related expressions shall be construed accordingly.

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear and Clearstream, Luxembourg and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants.

## USE OF PROCEEDS

The estimated net proceeds of the issue of the Certificates is U.S.\$499,980,000 (the "**Issue Proceeds**"). The Issue Proceeds will be applied by the Issuer pursuant to the terms of the relevant Transaction Documents on the Closing Date in the following proportion: (i) not less than 55 per cent. of the aggregate face amount of the Certificates towards the purchase from Ziraat Katılım of all of its rights, title, interests, benefits and entitlements in, to and under the Initial Assets pursuant to the Purchase Agreement; and (ii) the remaining portion of the Issue Proceeds (being not more than 45 per cent. of the aggregate face amount of the Certificates) towards the purchase of (x) (to the extent applicable) the Intangible Part of any Tangible Investment Sukuk comprising the Initial Assets Portfolio and (y) the certain *Shari'a*-compliant commodities in connection with the Murabaha Contract to be subsequently sold to Ziraat Katılım pursuant to the Murabaha Agreement (as further described in "*Structure Diagram and Cashflows*").

The proceeds received by Ziraat Katılım in consideration for the transactions entered into with the Issuer as set out above (comprising, for the avoidance of doubt, the purchase price payable pursuant to the Purchase Agreement and the proceeds payable to Ziraat Katılım pursuant to the on-sale of commodities) will be applied by Ziraat Katılım for its general corporate purposes.

## DESCRIPTION OF THE ISSUER

Ziraat Katılım Varlık Kiralama A.Ş. was incorporated in Türkiye on 22 January 2016 in accordance with the Capital Markets Law and the Sukuk Communiqué. The Issuer was incorporated under the laws of Türkiye as an asset lease company in the form of a joint stock company and with limited liability. Its trade registration number is 20333-5.

The Issuer's registered office and principal place of business is at Hobyar Eminönü Mah, Hayri Efendi Cad. No: 12 Bahçekapi, Fatih-Istanbul, Türkiye. The Issuer's telephone number is +90 (212) 404 1324, 404 1310 and 404 1322. The articles of association of the Issuer may be inspected at the registered office of the Issuer.

Ziraat Katilim holds the Issuer's issued share capital. The Issuer has no subsidiaries.

The ownership structure of the Issuer is as follows:

Shareholder	Percentage of Shares	Nominal Value of Shares in TRY
Ziraat Katilim Bankasi A.Ş .....	100 per cent.	50,000
<b>Total</b> .....	<b>100 per cent.</b>	<b>50,000</b>

## Business of the Issuer and Principal Activities

The Sukuk Communiqué permits, amongst other things, asset leasing companies (such as the Issuer) to make multiple issuances of lease certificates.

As at the date of this Prospectus, the Issuer currently has the below outstanding listed issuances of lease certificates (together, the "**Outstanding Certificates**"). The Issuer's ability to pay amounts due on the Outstanding Certificates is primarily dependent upon receipt by the Issuer of all amounts due under the documents in relation thereto, which, in respect of each Outstanding Certificate, includes the ability of Ziraat Katilim to satisfy in full and on a timely basis its obligations in respect of the Outstanding Certificates and/or, as the case may be, the documents in relation thereto (see "*Risk Factors — Risks factors relating to the Issuer*").

Number of Issue	Certificate Type	Issue Date	Maturity Date	Amount (TRY)
1 .....	Lease Certificate	25 May 2023	23 May 2024	500,000,000.00
2 .....	Lease Certificate	25 July 2023	31 October 2023	900,000,000.00
3 .....	Lease Certificate	04 August 2023	10 November 2023	1,000,000,000.00
4 .....	Lease Certificate	16 August 2023	28 November 2023	400,000,000.00
5 .....	Lease Certificate	07 September 2023	08 December 2023	500,000,000.00
6 .....	Lease Certificate	27 September 2023	27 December 2023	500,000,000.00
7 .....	Lease Certificate	13 October 2023	17 January 2024	500,000,000.00

Other than as disclosed above, the Issuer has no prior operating history or prior business and will not have any substantial liabilities other than in connection with the issue of the Certificates and the Outstanding Certificates.

The Issuer's on-going activities will principally be the issuance of lease certificates (including the Certificates), the execution and performance of the Transaction Documents, the execution and performance of all documents relating thereto to which it is expressed to be a party, the exercise of related rights and powers and other activities reasonably incidental thereto.

## Directors

The Directors of the Issuer and their respective nationalities, business addresses and occupation are:

Name	Nationality	Business Address	Occupation
Osman Karakütük....	Republic of Türkiye	Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Bahçekapi, Fatih-Istanbul, Türkiye	Banker

<b>Name</b>	<b>Nationality</b>	<b>Business Address</b>	<b>Occupation</b>
M. Barbaros Özüyilmaz .....	Republic of Türkiye	Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Bahçekapı, Fatih-İstanbul, Türkiye	Banker
Fehmi Tutulmaz .....	Republic of Türkiye	Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Bahçekapı, Fatih-İstanbul, Türkiye	Banker
Gurkan Cakir.....	Republic of Türkiye	Kirazlıtepe Mah. Pala Sk. Cad. 20110 Üsküdar-İstanbul, Türkiye	Banker
Ahmet Guney .....	Republic of Türkiye	Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Bahçekapı, Fatih-İstanbul, Türkiye	Banker
Ekrem Balcı.....	Republic of Türkiye	Kirazlıtepe Mah. Pala Sk. Cad. 20110 Üsküdar-İstanbul, Türkiye	Banker

There are no potential conflicts of interest between the private interests of the Directors listed above and their duties to the Issuer.

#### Share Capital

The issued and fully paid share capital of the Issuer as at the date of this Prospectus is TRY 50,000 comprising 50,000 shares of TRY 1 each.

#### Financial Statements

The Issuer's selected historical financial information as at and for the year ended 31 December 2022 has been derived from the audited financial statements as at and for the year ended 31 December 2022 of the Issuer (including the related notes thereto), included elsewhere in this Prospectus (the "**Issuer Financial Statements**"). The selected historical financial data set forth below should be read in conjunction with, and are qualified by reference to, the Issuer Financial Statements. The Issuer Financial Statements are available as described under "*General Information*". The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

The following tables sets forth the statement of financial position for the Issuer as at 30 June 2023, 31 December 2022 and 31 December 2021.

<b>Statement of Financial Position (Balance Sheet)</b>	<b>30 June 2023</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
	<i>TRY (thousand)</i>		
Current Assets	4,963,345,302	5,381,310,338	4,157,331,801
Non-current Assets	1,117	-	-
Total Assets	4,963,346,419	5,381,310,338	4,157,331,801
Current Liabilities	4,962,803,065	5,380,912,538	4,156,989,084
Non-current Liabilities	-	-	-
Total Liabilities	4,962,803,065	5,380,912,538	4,156,989,084
Equity Attributable to Owners of Parent	543,354	397,800	342,717
Issued Capital	50,000	50,000	50,000
Non-controlling Interests	-	-	-
Total Equity	543,354	397,800	342,717
Total Liabilities and Equity	4,963,346,419	5,381,310,338	4,157,331,801
<b>Statement of Profit or Loss and Other Comprehensive Income</b>	<b>30 June 2023</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
	<i>TRY (thousand)</i>		
Revenue	572,850,595	851,131,611	606,587,851
Cost of Sales	(572,850,595)	(851,131,611)	(606,587,851)

Gross Profit (Loss) from Commercial Operations	-	-	-
Revenue from Finance Sector Operations			
Cost of Finance Sector Operations			
Gross Profit (Loss) from Finance Sector Operations			
Gross Profit (Loss)	-	-	-
Profit (Loss) From Operating Activities	194,072	73,444	234,671
Profit (Loss) Before Financing Income (Expense)	194,072	73,444	234,671
Profit (Loss) from Continuing Operations, Before Tax	194,072	73,444	234,671
Profit (Loss) from Continuing Operations	145,554	55,083	176,003
Profit (Loss) from Discontinued Operations			
Net Profit (Loss)	145,554	55,083	176,003
Profit (Loss) Attributable To, Non-controlling Interests	-	-	-
Profit (Loss) Attributable To, Owners of Parent	145,554	55,083	176,003
Other Comprehensive Income (Loss)	-	-	-
Total Comprehensive Income (Loss)	145,554	55,083	176,003
Total Comprehensive Income Attributable To, Non-controlling Interests	-	-	-
Total Comprehensive Income Attributable To, Owners of Parent	145,554	55,083	176,003

## DESCRIPTION OF ZIRAAT KATILIM BANKASI A.Ş.

### Overview

Ziraat Katilim Bankası A.Ş. is a full-service participation bank, established in accordance with the Banking Law and has been operating in Türkiye since May 2015, (see "*Description of Ziraat Katilim — History*" for further details). Ziraat Katilim is a fully owned subsidiary of Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ("**Ziraat Bank**") and carries out its business in compliance with the principles of interest-free banking, known as participation banking in Türkiye, and *Shari'a* principles.

Ziraat Katilim has two wholly-owned subsidiaries, namely the Issuer and ZKB Varlık Kiralama A.Ş. ("**ZKB Varlık**"). Each of the Issuer and ZKB Varlık obtained authorisation from the BRSA and the CMB to exclusively issue lease certificate within the framework of the Sukuk Communiqué. As at the date of this Prospectus, the Issuer and ZKB Varlık have no personnel. ZKB Varlık was established on 8 September 2017 with a capital of TRY 50,000, paid entirely by Ziraat Katilim, and issues lease certificates for third parties within the framework of the Sukuk Communiqué.

As at the date of this Prospectus, there are six participation banks in Türkiye according to the BRSA and the PBAT. As at 31 December 2021, Ziraat Katilim was Türkiye's fifth largest participation bank measured by total assets (on an unconsolidated basis) with an 13.72 per cent. market share in assets held by all six participation banks in Türkiye.

Ziraat Katilim collects funds via current accounts and profit and loss participation accounts (mudharaba-based deposit accounts). The funds are utilised via corporate finance support, personnel finance support, financial leasing and profit/loss participation partnerships.

As at 31 December 2022, Ziraat Katilim operates with 155 domestic branches (compared to 120 branches as at 31 December 2021) and 1 branch abroad, and 1,904 employees domestically (an increase from 1,529 as at 31 December 2021). Ziraat Katilim's branches provide 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 customers.

According to decision of the BRSA dated 18 January 2019 and numbered 8210 and Ziraat Katilim's board of directors decision number 6/1 dated 21 February 2019, Ziraat Katilim and Ziraat Finansal Kiralama A.Ş. were 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.

### History

Ziraat Katilim was founded by the decision of the BRSA numbered 6046 and dated 10 October 2014 which was published in the Official Gazette numbered 29146 and dated 15 October 2014, with an initial capital of TRY 675,000,000 fully paid by the Turkish Treasury. Ziraat Katilim obtained official approval from the BRSA with decision number 6302 on 12 May 2015 and was published in the Official Gazette numbered as 29355 on 14 May 2015. Ziraat Katilim commenced operations by opening its first branch on 29 May 2015. Its head office is located in Istanbul, Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Bahçekapı, Fatih-Istanbul, Türkiye. Ziraat Katilim's phone number is +90 (212) 404 10 00.

### Shareholders and Capital Structure

As at 30 June 2023, 31 December 2022 and 31 December 2021, Ziraat Katilim's shareholders and their shareholdings are as follows:

Name of Shareholders	30 June 2023		31 December 2022		31 December 2021	
	Paid-in Capital (TRY thousand)	%	Paid-in Capital (TRY thousand)	%	Paid-in Capital (TRY thousand)	%
T.C. Ziraat Bankası A.Ş. ....	7,349,999	99.9999	2,649,999	99.9999	1,749,999	99.9999
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. ....	0.001	0.0000	0.001	0.0000	0.001	0.0000
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş. ....	0.001	0.0000	0.001	0.0000	0.001	0.0000
Ziraat Teknoloji A.Ş. ....	0.001	0.0000	0.001	0.0000	0.001	0.0000

Name of Shareholders	30 June 2023		31 December 2022		31 December 2021	
	Paid-in Capital (TRY thousand)	%	Paid-in Capital (TRY thousand)	%	Paid-in Capital (TRY thousand)	%
Ziraat Yatırım Menkul Değerler A.Ş. ....	0.001	0.0000	0.001	0.0000	0.001	0.0000
<b>Total</b> .....	<b>7,350,000</b>	<b>100</b>	<b>2,650,000</b>	<b>100</b>	<b>1,750,000</b>	<b>100</b>

All of the Türkiye Cumhuriyeti Ziraat Bankası A.S. shares have been transferred from the Republic of Türkiye Prime Ministry Undersecretariat of Treasury to the Türkiye Wealth Fund according to the enactment dated 24 January 2017, No. 2017/9756 by the Council of Ministry.

On 26 December 2022, Türkiye Sigorta A.Ş. transferred its shares of Ziraat Katilim to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. and Türkiye Hayat ve Emeklilik A.Ş. transferred its shares of Ziraat Katilim to Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş.

Ziraat Katilim is a fully owned subsidiary of Ziraat Bank and receives strong support from its parent which enables Ziraat Katilim to take advantage of growth opportunities in the market. Ziraat Bank has supported Ziraat Katilim in terms of providing a solid and efficient banking business structure, establishing an information technology infrastructure and a well-designed organizational structure as well as enhanced credit evaluation and allocation processes. Ziraat Bank is a correspondent bank of Ziraat Katilim, which allows Ziraat Katilim customers to use Ziraat Bank's branches and ATMs across Türkiye for banking transactions. A substantial number of Ziraat Katilim's personnel were also former Ziraat Bank employees, who contribute to Ziraat Katilim's business by means of their experience and know-how.

### **Capital Structure**

As at 30 June 2023, Ziraat Katilim's capital of TRY 7,350,000,000 is divided into 7,350,000,000 shares in which each share is valued as TRY 1.

Date of Registration	Capital (TRY)
14 May 2015 .....	675,000,000
18 May 2016 .....	747,000,000
11 August 2017 .....	1,250,000,000
7 November 2018 .....	1,750,000,000
29 April 2022 .....	2,650,000,000
3 April 2023 .....	7,350,000,000

Following Ziraat Katilim's registration in May 2015 with a capital of TRY 675 million, Ziraat Katilim increased its capital to TRY 747 million in May 2016 and a further increase in July 2017 to TRY 1,250,000,000. In accordance with the decision of Ziraat Katilim's Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of Ziraat Katilim was raised from TRY 1,250,000,000 to TRY 1,750,000,000 by increasing the amount of cash by TRY 500,000. Based on the resolution taken at the Ordinary General Assembly of Ziraat Katilim held on 25 March 2022, Ziraat Katilim's paid-in-capital was raised by TRY 900,000,000 in cash to TRY 2,650,000,000 and this increase was registered on 18 April 2022. The paid-up capital of Ziraat Katilim was increased to TRY 7,350 million on 3 April 2023.

### **Shareholders**

#### **Türkiye Cumhuriyeti Ziraat Bankası A.Ş.**

Ziraat Bank, established in 1863, is a full service commercial and retail banking group that provides a broad range of products and services to approximately 30 million customers across Türkiye and selected international markets. Ziraat Bank is 100 per cent. state owned and has a leading position among Turkish banks with Ziraat Bank operating through 1,758 branches in Türkiye and abroad with 24,484 employees. Ziraat Bank has a strong rural presence being the sole bank providing services to customers in more than 400 provinces in Türkiye and the sole bank distributing government subsidised agro loans with its significant cent. market share. Ziraat Bank is currently rated "B3" by Moody's and "B-" by Fitch.

According to Ziraat Bank's 2022 annual report, Ziraat Bank realized asset growth of 68.6 per cent. in 2022 and expanded its total asset base to TRY 2,312 billion (compared to TRY 1,371 billion in 2021 according to Ziraat Bank's 2021 annual report). Furthermore, in 2022, Ziraat Bank's total cash loans increased by 62.7

per cent (from TRY 778,404 million to TRY 1.3 trillion) and its total deposits increased 83.3 per cent. (from TRY 948,687 million to TRY 1.7 trillion) from 2021.

Ziraat Bank's 2022 annual report further confirmed that its market share in cash loans and total assets was 15.9 per cent. and 16.1 per cent., respectively (compared to 14.9 per cent. and 14.9 per cent. in cash loans and total assets for the year-ended 31 December 2021). In addition, Ziraat Bank generated a return on equity of 26.4 per cent. in 2022 with a return on assets of 2.3 per cent.

#### ***Ziraat Teknoloji A.Ş.***

Established in Türkiye in 2001, Ziraat Teknoloji A.Ş. is 100 per cent. owned by Ziraat Bank. Ziraat Teknoloji A.Ş. has been providing IT services to Ziraat Bank and its subsidiaries in the fields of infrastructure, integration system management, support operations, application development and technical consultancy. Ziraat Teknoloji A.Ş. also developed several applications for Ziraat Katilim in order to maximise operational efficiency and customer orientation.

#### ***Ziraat Yatırım Menkul Değerler A.Ş.***

Established in Türkiye in 1997, Ziraat Yatırım Menkul Değerler A.Ş. is 99.6 per cent. controlled by Ziraat Bank. Ziraat Yatırım Menkul Değerler A.Ş. is an active participant in the capital markets. Ziraat Yatırım Menkul Değerler A.Ş. provides services through its internet banking and full-service call centre. All domestic branches of Ziraat Bank function as agencies of Ziraat Yatırım Menkul Değerler A.Ş.

#### ***Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.***

Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. ("**Ziraat GYO**") was established on 1 November 2016 as part of the Ziraat Finance Group to present the strength and experience of the group to its investors. Ziraat GYO offers well balanced, risk-return optimized real estate investment returns to investors as a leading player in the sector. Ziraat GYO aims to implement new real estate projects to grow its sustainable high return lease income generating portfolio with a strong balance sheet and financial structure and leading position in the sector.

#### ***Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş.***

Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş. (or Ziraat Business Management and Real Estate Development Inc.) ("**Ziraat İşletme**") began its activities on 27 June 2019. Ziraat GYO owns 100 per cent. of Ziraat İşletme. The main activity of Ziraat İşletme is developing real estate projects, establishing, operating and renting such projects, including residences, offices, shopping and entertainment centres, training centres, sports centres, health complexes and hospitals as well as hotels, motels, holiday villages, marinas, restaurants and other tourist facilities.

#### ***Strong shareholder support***

*Ziraat Katilim takes advantage of Ziraat Bank's banking facilities.*

According to Ziraat Bank's 2022 annual report, Ziraat Bank operated through 1,758 branches in Türkiye and abroad with 24,484 employees, and 7,276 ATMs in Türkiye and abroad. Since Ziraat Bank is a correspondent bank of Ziraat Katilim, Ziraat Katilim's customers can use Ziraat Bank's extensive country-wide branch and ATM network for their banking transactions.

*Ziraat Katilim receives technical and infrastructure support from Ziraat Bank.*

Ziraat Bank has enabled Ziraat Katilim to benefit from the experience and well-established business model of Ziraat Bank to establish an information technology infrastructure, organizational structure and enhanced credit evaluation and allocation processes.

*Ziraat Katilim receives support from Ziraat Bank in growing its international correspondent banking relationships.*

Ziraat Bank either recommends or introduces Ziraat Katilim to its existing correspondent banks. Accordingly, since its establishment in 2015, Ziraat Katilim has been successful in establishing correspondent banking relationships with approximately 500 banks worldwide.

*The ability of Ziraat Katilim to leverage the "Ziraat" brand gives Ziraat Katilim access to a wider customer pool with low cost base.*

Senior management believes that the "Ziraat" brand enjoys strong brand recognition and confidence in Türkiye and therefore Ziraat Bank is able to have access to a large customer deposit pool with lower cost base. Senior management also believes Ziraat Katilim takes advantage of the "Ziraat" brand and is able to obtain funds from its depositors with a lower cost base.

*Ziraat Bank provides human resources support to Ziraat Katilim*

Approximately 17 per cent. of Ziraat Katilim's current employees are former Ziraat Bank employees, who contribute to Ziraat Katilim's strategies through their experience and know-how.

Ziraat Katilim believes that Ziraat Bank's employees have comprehensive market knowledge and intelligence and their participation in Ziraat Katilim's workforce aptly positions Ziraat Katilim to approach high calibre customers with the right products and marketing strategy. Ziraat Katilim also believes that familiarity with credit evaluation and allocation processes of Ziraat Bank enables Ziraat Katilim's personnel to devise and implement a robust financing policy. All of these matters have a direct positive impact on Ziraat Katilim's customer profile and NPL ratios. Accordingly, Ziraat Katilim's NPLs as at 30 June 2023, 31 December 2022 and 2021 were 0.92 per cent., 1.3 per cent. and 2.5 per cent., respectively while the participation banking sector's NPLs was 1.14 per cent as at 30 June 2023 compared to 1.43 per cent. as at 31 December 2022 and 3.02 per cent. as at 31 December 2021.

*Ziraat Katilim can secure the support it needs from Ziraat Bank in a more timely and efficient manner.*

The board members of Ziraat Katilim are also members of Ziraat Bank's board of directors. Moreover, the majority of the senior managers of Ziraat Katilim have professional careers with Ziraat Bank. Although Ziraat Katilim does not have a very long history in the Turkish banking sector, Ziraat Katilim believes that its experienced management team with a high sectoral know-how allows Ziraat Katilim to operate efficiently similar to an experienced bank.

#### **State-owned bank status**

Ziraat Katilim is entirely state-owned through Ziraat Bank whose share capital is 100 per cent. owned by the Turkish Government through the Türkiye Wealth Fund managed by TWFM Company. Ziraat Katilim believes that it enjoys certain benefits in connection with its state-owned bank status.

*Ziraat Katilim has access to liquidity with a lower cost base.*

The Public Treasurer Communiqué published in the official gazette dated 15 November 2015 numbered 29536 requires state-owned entities to deposit their funds with state-owned banks and financial institutions. Therefore, Ziraat Katilim takes competitive advantage of being a state-owned bank to obtain funds of state-owned entities with relatively low cost base.

*The Turkish Government has pledged to grow the participation banking's share in the Turkish banking sector.*

The Turkish Government is committed to supporting the participation banking industry in Türkiye and constantly expresses its intention to grow the market share of participation banks from its current level of 4.92 per cent. to around 20 per cent. in the long term. As a result, within the last three years, two state-owned participation banks were established in Türkiye, one of which is Ziraat Katilim and the other is Vakıf Katılım Bankası A.Ş.

The growth of participation banking in Türkiye has strategic importance to the Turkish Government and takes active steps to grow the capital base of the participation banking sector. Since its establishment in 2015, the Turkish Government has increased the share capital of Ziraat Katilim from TRY 675 million to TRY 7.35 billion as at 30 June 2023. Within the framework of Ziraat Katilim's three-year financial projection, it is expected that Ziraat Katilim's paid-in capital will reach TRY 24.85 billion by the end of 2026.

*Ziraat Katilim has good and close relationships with the other-state owned banks.*

Ziraat Katilim works very closely with the other four state-owned commercial banks. While these relationships generate constant business and revenue for Ziraat Katilim, Ziraat Katilim believes that they also give Ziraat Katilim an opportunity to participate in transactions originated by other state-owned banks.

### **Ziraat Katilim's business**

Ziraat Katilim's core business segments are:

1. Corporate Banking;
2. Commercial Banking;
3. SME; and
4. Retail Banking which includes the following sub-segments:
  - a. Retail (micro & mass featured);
  - b. Retail (individuals);
  - c. Retail affluent; and
  - d. Private.

### ***Corporate Banking***

The Corporate Banking department of Ziraat Katilim was established with the purpose of providing products and services in line with the principles of interest-free banking to its corporate, medium and large enterprises. The products and services provided by Ziraat Katilim include cash and non-cash loans, financial services related to import and export transactions, trade finance, project finance, treasury management services and international banking services. Manufacturing companies with an annual turnover over TRY 500 million, trading companies with an annual turnover over TRY 750 million, construction companies with an annual turnover over TRY 500 million, tourism companies with an annual turnover over TRY 1 billion, energy companies with an annual turnover over TRY 50 million and farming businesses with an annual turnover over TRY 75 million fall under the umbrella of Corporate Banking.

Following its establishment in 2015, Ziraat Katilim primarily focused on growing its corporate loan book consistent with its fast growth strategy and maintaining a healthy loan book, and rapidly grew its Corporate Banking department. Ziraat Katilim envisages that corporate banking sectors will be one of the fastest growing sectors in the overall Turkish banking industry (along with SME banking) in the next few years. Although the Corporate Banking department continues to play an important part in Ziraat Katilim's growth strategy, the Bank's focus shifted to the growth of the SME Banking department from the onset of 2017 (see "*Description of Ziraat Katilim – SME Banking*").

Ziraat Katilim believes that the strength of the "Ziraat" brand in the Turkish banking sector and the strategically located branch network of Ziraat Katilim at the main business and industrial centres in Türkiye facilitate its access to a wider pool of Corporate customers (see "*Description of Ziraat Katilim – Strong Shareholder support*") and underpin the growth of the Corporate Banking loan book.

Ziraat Katilim aims to integrate into the whole business cycle of its Corporate, Commercial and SME customers and become their single banking service provider by meeting all their financial needs with an enhanced service quality. Ziraat Katilim believes that cross-selling products and services, product development and diversification, effective use of the branch network and all other alternative distribution channels will drive this growth strategy and improve customer satisfaction and loyalty. With a better understanding of its large customer base, senior management believes that there is scope for Ziraat Katilim to cross-sell other core banking products and promote the use of alternative delivery channels to these customers. Senior management also believes that this deeper understanding will enable Ziraat Katilim to better tailor its products and services to increase its competitive advantages.

As at 30 June 2023, the outstanding cash loans balance of the Corporate Banking segment increased to TRY 118,142.2 million from TRY 64,951.5 million as at 30 June 2022 and the Bank's non-cash loans balance of the Corporate department also increased to TRY 38,955.5 million as at 30 June 2023 from TRY 24,971.4 million as at 30 June 2022.

As at 31 December 2022, the outstanding cash loans balance of the Corporate Banking segment has increased to TRY 89,488.7 million from TRY 38,933.9 million in 2021. As at 31 December 2022, the non-cash loans balance of the Corporate department increased to TRY 29,421.1 million from TRY 20,348.3 million in 2021. The outstanding balance of profit and loss participation accounts and current accounts of the Corporate Banking department as at 30 June 2023 was TRY 125,092.46 million and TRY 12,965.55 million compared to TRY 62,393.34 million and TRY 7,775.52 million as at 30 June 2022. The outstanding balance of profit and loss participation accounts and current accounts of the Corporate Banking department as at 31 December 2022 was TRY 81,171.77 million and TRY 13,077.98 million compared to TRY 27,750.93 million and TRY 10,421.46 million as at 31 December 2021.

As at 30 June 2023, of the 17,662 customers in the Corporate Banking segment, 4,830 customers had deposit accounts with Ziraat Katilim, 4,223 only had current accounts and 607 customers had both current accounts and profit and loss participation accounts. Furthermore, credit limits had been allocated to 3,137 companies in this department. Out of those 3,137 customers, cash loans had been extended to 941 and non-cash loans have been extended to 974 customers.

### ***Commercial Banking***

As part of Ziraat Katilim's new segmentation strategy implemented in 2022, the formerly large SME sub-segment was re-named 'Commercial Banking'. Emerging as a key segment with the aim of providing dedicated banking services to the Bank's commercial client base, the Commercial Banking segment demonstrated significant growth both in cash and non-cash volumes between 30 June 2022 and 30 June 2023.

Manufacturing companies with an annual turnover over TRY 200 million, trading companies with an annual turnover over TRY 250 million, construction companies with an annual turnover over TRY 250 million, tourism companies with an annual turnover over TRY 500 million, energy companies with an annual turnover over TRY 25 million and farming businesses with an annual turnover over TRY 30 million, fall under the umbrella of Commercial Banking.

As at 30 June 2023, the outstanding cash loans balance of the Commercial Banking segment increased to TRY 21,386.6 million from TRY 9,733.1 million as at 30 June 2022 and the Bank's non-cash loans balance of the Commercial Banking segment also increased to TRY 9,632.2 million as at 30 June 2023 from TRY 3,997.8 million as at 30 June 2022.

As at 31 December 2022, the outstanding cash loans balance of the Commercial Banking segment was TRY 12,520.3 million whereas the non-cash loans balance of the Commercial Banking segment as at 31 December 2022 was TRY 6,339.7 million.

The outstanding balance of profit and loss participation accounts and current accounts of the Commercial Banking segment as at 30 June 2023 was TRY 6,402.4 million and TRY 2,670.96 million, respectively, compared to TRY 2,244.45 million and TRY 1,445.43 million, respectively, as at 30 June 2022. The outstanding balance of profit and loss participation accounts and current accounts of the Commercial Banking department as at 31 December 2022 was TRY 3,447.15 million and TRY 2,779.77 million, respectively.

As at 30 June 2023, of the 17,672 customers in the Commercial Banking segment, 4,699 customers had deposit accounts with Ziraat Katilim (4,426 had only current accounts and 273 customers had both current accounts and profit and loss participation accounts). Furthermore, credit limits had been allocated to 3,717 companies in the Commercial Banking segment. Out of those 3,717 customers, cash loans had been extended to 1,156 customers and non-cash loans had been extended to 1,270 customers.

### ***SME Banking***

The SME Banking department covers manufacturing companies with an annual turnover over TRY 15 million, trading and construction companies with an annual turnover over TRY 20 million, tourism

companies with an annual turnover over TRY 250 million, energy companies with an annual turnover over TRY 10 million and farming businesses with an annual turnover over TRY 15 million.

Ziraat Katilim has segmented its customer base in line with best market practices to help it better understand the needs of its customers and to develop revenue opportunities by continuing to provide bespoke solutions to meet the evolving needs of customers. This approach involves continuously reviewing and developing products and service offerings to complement Ziraat Katilim's core banking products as well as primarily targeting SMEs and midcap corporates.

Ziraat Katilim envisages that the SME and commercial banking will be one of the fastest growing sectors in the overall Turkish banking industry in the next few years given the vast growth of the SME sector to date. The SME Banking department plays an important role in Ziraat Katilim's growth strategy. Since the beginning of 2017, Ziraat Katilim has prioritised SME banking and placed the growth of SME banking department at the core of its growth strategy because of higher margins and profitability in the SME banking sector, affinity of SMEs with participation banking and the risk diversatification which such growth will bring to the overall loan and leasing receivables book of Ziraat Katilim.

Ziraat Katilim believes that the strength of the "Ziraat" brand among the SMEs and leveraging Ziraat Bank's on-going support to Ziraat Katilim will be one of the drivers of the growth of the SME Banking department consistent with Ziraat Katilim's growth strategy (see *"Description of Ziraat Katilim – Strong Shareholder support"*).

The other key area that Ziraat Katilim expects to underpin the growth of its SME loan book is the CGF guaranteed loans to SMEs (see *"Turkish Regulatory Environment – Credit Guarantee Fund"* for further details). Ziraat Katilim has profited from the growth in the CGF guaranteed loans in recent years and, in 2022, its CGF guaranteed loans amounted to TRY 1,942.35 million, representing 1.34 per cent. of the total loans and leasing receivables of TRY 144,858.27 million. Ziraat Katilim expects that the CGF guaranteed loans to SMEs will continue to play an important part in the growth of its SME loan book.

As at 30 June 2023, the outstanding balance of cash loans provided by Ziraat Katilim under the SME banking department was TRY 50,544.22 million, which is an increase of TRY 17,338.05 million as compared to the outstanding balance of cash loans provided by Ziraat Katilim under the SME banking department as at 30 June 2022. As at 31 December 2022, the outstanding balance of cash loans provided by Ziraat Katilim under the SME banking department was TRY 27,874.77 million. As at 30 June 2023 and 31 December 2022, the non-cash loans balance was TRY 11,800.03 million and TRY 6,099.16 million, respectively.

As at 30 June 2023, the profit and loss participation account and current account volumes of the SME banking department increased to TRY 13,785.45 million and TRY 9,037.77 million, respectively, from the 30 June 2022 balances of TRY 5,448.05 million and TRY 3,770.82 million, respectively. As at 31 December 2022, the profit and loss participation account and current account volumes of the SME banking department were TRY 9,666.69 million and TRY 8,410.54 million, respectively.

#### ***Retail (micro & mass featured)***

The Retail (micro & mass featured) segment was identified in 2022 as part of the Bank's new segmentation strategy covering mass and micro-featured legal entities.

Manufacturing companies with an annual turnover less than TRY 15 million, trading and construction companies with an annual turnover less than TRY 20 million, tourism companies with an annual turnover less than TRY 250 million, energy companies with an annual turnover less than TRY 10 million and farming businesses with an annual turnover less than TRY 15 million, fall under the Retail (micro & mass featured) segment.

As at 30 June 2023, the outstanding balance of cash loans provided by Ziraat Katilim under the Retail banking department was TRY 12,077.78 million, which is an increase of TRY 4,631.79 million as compared to the outstanding balance as at 30 June 2022. As at 31 December 2022, the outstanding balance of cash loans provided by Ziraat Katilim under the Retail banking department was TRY 6,804.33 million. As at 30 June 2023, 30 June 2022 and 31 December 2022, the non-cash loans balances were TRY 1,797.06 million, TRY 813.7 million and TRY 1,128.97 million, respectively.

As at 30 June 2023, the profit and loss participation account and current account volumes of the Retail (micro & mass featured) banking department increased to TRY 5,177.64 million and TRY 5,343.17 million from the 30 June 2022 balances of TRY 2,799.44 million and TRY 2,685.53 million, respectively. As at 31 December 2022, the profit and loss participation account and current account volumes of the Retail (micro & mass featured) banking department were TRY 3,960.83 million and TRY 3,957.25 million.

As at 30 June 2023, the total outstanding balance of financial leasing increased to TRY 43,608.8 million compared to TRY 12,477.5 million as at 30 June 2022. TRY 18,320.01 million of that balance is in relation to corporates and the remaining TRY 25,288.7 million is for Commercials, SME and Retail. As at 31 December 2022, the total outstanding balance of financial leasing increased to TRY 21,235.32 million, from TRY 9,546.27 in 31 December 2021. TRY 9,776.81 million of that balance is in relation to corporates and the remaining TRY 11,458.51 million is for Commercial, Retail and SMEs.

The financial products provided by Ziraat Katilim under the corporate, Commercial, SME and Retail Banking department are as follows:

- Corporate Finance Support: provided for the purchase of commodities, vehicles, services and real estate needed for the functioning of the relevant company (products and services acceptable in accordance with the principles of participation banking).
- Foreign Exchange Financing: provided in TRY or foreign currency.
- FX linked Funding: provided without export commitment and repayable in TRY.
- Investment Financing: provided in TRY or foreign currency to finance investments.
- Risk sharing investment financing: Provided on the principles of sharing the risk of investments.
- Financial Leasing: provided to acquire machinery or equipment.
- Letters of Guarantee.
- Letters of Credit.
- Acceptance of negotiable instruments.
- Eximbank facilities.
- Direct Debit System.

As at 30 June 2023, Ziraat Katilim's risk volume in cash loans (including finance leasing receivables) increased to TRY 213,157.31 million from TRY 103,293.51 million as at 30 June 2022. Non-cash financing support also increased to TRY 45,191.48 million as at 31 December 2022 from TRY 29,603.47 million as at 31 December 2021.

As at 31 December 2022, Ziraat Katilim's risk volume in cash loans (including finance leasing receivables) increased to TRY 144,858.27 million from TRY 66,399.92 million as at 31 December 2021. Non-cash financing support also increased to TRY 45,191.48 million as at 31 December 2022 from TRY 29,603.47 million as at 31 December 2021.

As at 31 December 2022, the industry breakdown of cash and non-cash loan facilities under the Corporate, Commercial, SME and Retail (micro & mass) departments is as follows:

Main Sector	As at 31 December 2022		As at 30 June 2023	
	Amount	Ratio	Amount	Ratio
	<i>(TRY thousands)</i>		<i>(TRY thousands)</i>	
Manufacturing.....	82,067,449	43.01%	119,310,190	45.14%
Construction.....	27,747,432	14.54%	47,535,063	17.98%
Wholesale and retail commerce	34,468,456	18.07%	46,641,988	17.65%
Finance and insurance.....	3,744,924	1.96%	4,220,090	1.60%
Administrative and support activities.....	3,039,317	1.59%	4,367,482	1.65%
Real estate.....	3,526,023	1.85%	4,542,551	1.72%

Main Sector	As at 31 December 2022		As at 30 June 2023	
	Amount (TRY thousands)	Ratio	Amount (TRY thousands)	Ratio
Other industries total (*) .....	36,200,997	18.97%	37,701,960	14.26%
<b>Total .....</b>	<b>190,794,598</b>	<b>100.00%</b>	<b>264,319,325</b>	<b>100.00%</b>

\* Electricity, Gas, Steam and Climate Control Units Manufacturing, Services, Mining and Quarries, Professional Scientific and Technical activities, Transportation, Storage, IT and Communication, Agriculture, Forestry and Fishing.

### **Retail Banking**

The Retail Banking department's core businesses include consumer financing, current accounts and consumer products which are offered in accordance with interest-free banking principles. Retail Banking focuses on deposit taking (current and participation accounts), granting loans, credit card facilities, banking services, branchless banking services and fund transfer facilities. The Retail Banking department also provides banking services which includes products such as home loans, land purchase loans, new business loans, vehicle loans and personal loans.

Ziraat Katilim, considering that it is a relatively new in the market, is a well-known bank from the retail banking perspective. In addition to expanding its branch network, Ziraat Katilim has been investing in digital banking which in return will give it a competitive advantage. Ziraat Katilim's customers can conclude their transactions through the mobile application, internet banking, ATMs and telephone banking as well as across its existing branch network. In line with its targets and strategy, Ziraat Katilim has been growing its Retail Banking department substantially and aims to remain the pioneering bank in the market.

The number of debit cards increased 20.7 per cent. and the total turnover increased by 83.1 per cent. from 30 June 2022 to 30 June 2023. As at 31 December 2022, the number of debit cards increased 36.3 per cent. and the total turnover increased by 143.5 per cent. compared to 2021.

As at 30 June 2023, the total amount of Ziraat Katilim's outstanding cash loan to individuals was TRY 11,006.56 million which constituted 5.16 per cent. of the total cash loan portfolio of Ziraat Katilim. As at 31 December 2022, the total amount of Ziraat Katilim's outstanding cash loan to individuals was TRY 8,170.19 million which constituted 5.64 per cent. of the total cash loan portfolio of Ziraat Katilim. That cash loan balance consisted of home loans, vehicle loans and personal loans, and their percentages as at 31 December 2022 were 89.47 per cent, 8.44 per cent and 2.09 per cent., respectively. As at 31 December 2021, the total amount of Ziraat Katilim's outstanding cash loans to individuals constituted 7.23 per cent. of the total cash loan portfolio of Ziraat Katilim, amounting to TRY 4,801.76 million. The proportion of home loan, vehicle loans and consumer loans was 89.58 per cent., 7.62 per cent. and 2.81 per cent respectively.

As at 30 June 2023, the profit and loss participation account and current account volumes of the Retail banking department increased to TRY 60,655.30 million and TRY 15,550.98 million, respectively, from the 30 June 2022 balances of TRY 30,331.01 million and TRY 7,648.32 million, respectively. As at 31 December 2022, the profit and loss participation account and current account volumes of the Retail banking department were TRY 36,381.2 million and TRY 10,286.01 million, respectively.

### **Ziraat Participation Retail Banking Sub Segments**

Wealth/Individual Financing (TRY Million)				
INDIVIDUAL CLIENTS	Retail	Retail	Retail	0 - < 1
		Retail Affluent	Retail Affluent	>. 1 – <7.5
			Private Banking	>. 7.5

As at 30 June 2023, Ziraat Katilim has 806,769 retail clients, 8,232 retail affluent clients, and 1,570 private clients. 100 per cent. of those customers are individual customers.

## **Financing policy**

Ziraat Katilim uses scoring criteria to evaluate the credit-worthiness of customers applying for loans. Customers are rated according to their risk scores based on their credit-worthiness. The risk analysis is then conducted in accordance with the credit evaluation criteria.

The credit decision is based on evaluation of "basic criteria" of the commercial loan facilities such as the purpose of the facility, sources of repayment and the level of risk. The evaluation is carried out in line with Ziraat Katilim's policy and also considers the current economic situation.

## **Strategy**

Ziraat Katilim's strategy is to become a leading participation bank in the medium and long run in Türkiye through increasing its loan portfolio and deposit base and by expanding its branch network. Ziraat Katilim shall also take advantage of the well-respected and trusted power of its name "Ziraat".

Ziraat Katilim aims to be the best participation bank that understands the needs and expectations of its customers, and that offers reliable, effective solutions through appropriate channels in accordance with the Islamic banking principles in order to contribute to the development of both the country and Islamic banking.

Ziraat Katilim aims to attain its strategic goals through the following means:

- a strong capital and ownership structure;
- a diversified loan portfolio and funding mix;
- enhancing bank profitability to a level parallel to the sector with a focused growth strategy and profitability-enhancing practices;
- in order to support the sustainable agricultural activities of the country, the Bank will be a part of the investments that will enable farmers and industrial agriculture companies to produce efficiently;
- increasing the volume of affluent clients with its Private Banking Value Proposition;
- the Bank's competence transformation which is an important priority and a significant portion of the Bank's resources are used for this purpose;
- expanding its branch network and deposit base; and
- growing its loan book mainly in SME and Commercial segments,

in order to maintain sustainable growth in Türkiye.

Ziraat Katilim's main focus will be diversification in financing (especially in the SME and Commercial segments), expansion of its branch network, diversification of assets and liabilities and the focus on alternative distribution channels.

Ziraat Katilim seeks to increase its market share both in terms of financing and asset size. Ziraat Katilim's branch network shall be expanded every year to reach 186 by the end of 2023. In addition, Ziraat Katilim will increase its capital (through new capital injections) parallel to its development in order to maintain its sustainable growth. In line with Ziraat Katilim's three-year financial projection, it is expected that Ziraat Katilim's paid-in capital will reach TRY 12.35 billion by the end of 2023, TRY 17.35 billion by the end of 2024 and TRY 24.85 billion by the end of 2025.

## **Competition and Competitive Advantages**

As at 30 June 2023, according to the BRSA, there were 58 banks operating in Türkiye including six participation banks.

Although the main competition faced by Ziraat Katilim is from the other participation banks in Türkiye, Ziraat Katilim also faces competition from other Turkish banks and from foreign banks operating in

Türkiye. The principal area of competition is in relation to SMEs, corporate banking and retail banking activities as Ziraat Katilim is competing against all banks in Türkiye in respect of the provision of mortgage loans (as regulation permits banks to fully collateralise these, therefore increasing the demand for the provision of such loan) and as the profit margins on products offered to SMEs are relatively higher in the current market conditions.

In addition to the five other participation banks in Türkiye, Ziraat Katilim considers its main competitors to be the medium-sized commercial banks (in terms of asset size) due to the level of their activities in certain areas of the Turkish banking sector and, in particular, retail, SME, commercial banking and import/export trade finance. However, unlike Ziraat Katilim, the commercial banks do not have Islamic products and do not operate in accordance with interest-free banking principles. This provides Ziraat Katilim with an advantage which, along with its reputation for various innovative products, contributes to customer awareness of Ziraat Katilim's brand and services.

Although the banking industry in Türkiye is highly competitive, Ziraat Katilim is well positioned to compete in this market due to its expanding branch network and strong customer deposit base. Ziraat Katilim expects the recent and continuing growth of the Turkish economy to lead to an overall growth in demand for banking services, particularly interest-free products.

Ziraat Katilim believes that it enjoys a number of key competitive advantages, including the following:

***A strong and resilient banking industry***

Since 2016, the corporate and commercial loans market in Türkiye has grown at a compounded annual growth rate ("CAGR") of 25 per cent., increasing from TRY 863.2 billion in 2016 to TRY 3.7 trillion in 2022, with total loan-to-GDP penetration increasing from 66.9 per cent. as at 31 December 2016 to 50.6 per cent. as at 30 September 2022, according to the BRSA and Turkstat.

The Turkish banking sector will continue to grow, driven by the strong economic growth in Türkiye as a whole supported by, among other factors, relatively high asset quality, banks with strong capital bases and low leverage coupled with low banking penetration and a relatively sophisticated regulatory environment. Ziraat Katilim is uniquely placed to benefit from the current and future anticipated growth of the banking sector in Türkiye as it focuses on its key strengths of retail and commercial banking and it implements its expansion plan across the country.

***Participation banking is an industry with demonstrated and potential high growth***

Participation banking is an industry with demonstrated and potential high growth. According to the PBAT, the market share of participation banks based on total assets has increased from 5.5 per cent. in 2013 to 8.5 per cent. as at June 2023. Ziraat Katilim believes that participation banking has significant growth potential. Ziraat Katilim's breadth of its current and future products and services, its experience in the participation banking sector and its expanding branch network make it well positioned to take advantage of this growth potential.

Market data indicates that participation banking in Türkiye is growing with the CAGR of the participation banking sector assets in the period from 2015 to 2019 recorded as 24.0 per cent. Ziraat Katilim believes that participation banking has significant growth potential left given that assets held by participation banks in Türkiye only account for 8.5 per cent. of total banking assets in Türkiye as at 30 June 2023. Ziraat Katilim's breadth of its current and future products and services, its experience in the participation banking sector and its expanding branch network make it well positioned to take advantage of this growth potential.

***Clear growth strategy***

Ziraat Katilim has a clear strategy for achieving its growth objectives with Commercial and SME banking at the core of this strategy. Ziraat Katilim aims to boost its income by focusing on higher margin loan products, SME and Commercial segment, fees and commission intensive products for SMEs and Commercial customers and to leverage its branch network not only for expanding its loan portfolio but to also enhance its funding mix and for expanding deposit base.

Ziraat Katilim has a clear strategy for rapid growth in order to attain its long-term strategic targets, which includes fresh capital injections, branch network expansion, building up a diversified loan portfolio and

expanding of its deposit base. Moreover, the Commercial and SME department will be Ziraat Katilim's main focus in order to penetrate its target market with the advantage of its name "Ziraat".

#### ***Diversified and balanced loan portfolio***

Ziraat Katilim's financing portfolio comprises financings in 22 different industries (in accordance with BRSA classifications) and its largest industry exposure is to the manufacturing sector (comprising 46 per cent. of its credit risk exposure as at 30 June 2023).

#### ***Strong shareholder structure***

Ziraat Katilim's 99.9999984 per cent. majority shareholder Ziraat Bank, is the largest Turkish bank. As at 31 December 2022, Ziraat Bank's total assets amounted to TRY 2,312 billion, marking an annual increase of 68.6 per cent., and its cash loans amounted to TRY 1,266,351 million. As of the date of this Prospectus, all of the shares in Ziraat Bank are held by the Türkiye Wealth Fund managed by TWFM Company. Ziraat Bank's share capital was transferred from the Turkish Under secretariat of Treasury to the Türkiye Wealth Fund by the decision of the Council of Ministers dated 24 January 2017. The transfer of shares was registered at the trade registry on 18 September 2017 and announced on the trade registry gazette on 21 September 2017. As at 31 December 2022, Ziraat Bank operates in 17 countries around the world and has a broad service network, consisting of 9 international and 6 domestic subsidiaries, administrative offices in 3 countries, and 25 foreign branches.

#### ***Ziraat Katilim's capital***

As at the date of this Prospectus, Ziraat Katilim has received an advance payment for the year 2023 in the amount of TRY 4.7 billion out of the TRY 9.7 billion projected capital increase. Within the framework of Ziraat Katilim's three-year financial projection, it is expected that Ziraat Katilim's paid-in capital will reach TRY 12.35 billion by the end of 2023, TRY 17.35 billion by the end of 2024 and TRY 24.85 billion by the end of 2025. As at 30 June 2023, the capital adequacy ratio was 14.57 per cent. and this is expected to increase due to the capital increase.

#### ***Management team with a proven track record***

Ziraat Katilim has a highly experienced management team with a proven track record in growing Ziraat Katilim's operations and profitability in a competitive market. The board members of Ziraat Katilim are also members of Ziraat Bank's board of directors. Moreover, the majority of the senior managers of Ziraat Katilim have professional careers with Ziraat Bank. The combined experience of Ziraat Katilim's management team will support its on-going strategy. (see "*Description of Ziraat Katilim – Management*" for further details)

#### ***Prudent risk management policy***

Proper assessment and control of risk is crucial to Ziraat Katilim's success. As at 31 December 2022, Ziraat Katilim's capital adequacy ratio was 15.57 per cent., which however remains significantly above the 8 per cent. minimum and above the 12 per cent. target capital adequacy ratios required by the BRSA. (see "*Description of Ziraat Katilim – Key Risks of Ziraat Katilim— Capital Adequacy*" for further details).

#### ***International Banking***

Ziraat Katilim's Financial Institutions ("FI") and Investment Banking ("IB") department mainly provides the international banking needs for both, Ziraat Katilim's own balance sheet requirements and its retail and corporate customers base's demands. In terms of FI relationships, Ziraat Katilim has established direct correspondent banking relationships with around 500 banks worldwide in order provide the trade finance (letters of credit ("L/C"), letters of guarantee ("L/G")), treasury settlement (money markets, foreign exchange) and customer fund transfers transactions. Ziraat Katilim can also leverage from the collaboration with its parent company, Ziraat Bank, as well as foreign subsidiaries and branches of Ziraat Bank. Currently, Ziraat Katilim has established its own nostro correspondent accounts in 16 major currencies including U.S. Dollars, Euros, British Pounds, Swiss Francs and Saudi Riyal, and can directly facilitate customer payments, trade finance, foreign exchange and treasury settlements in these currencies. The FI unit strives to meet the foreign trade demands of Ziraat Katilim's customer base in a time and cost-efficient manner and intermediates to resolve any operational issues. Ziraat Katilim is very active in providing trade finance services to meet the demand of Turkish corporates. Ziraat Katilim enjoys around 15 per cent. market

share among participation banks in terms of outstanding amounts of L/C transactions and is the leading participation bank in relation to this product. Ziraat Katilim is also very active in issuing counter guarantees to facilitate the business of Turkish contracting companies participating in tenders for infrastructure projects abroad.

The FI unit intermediates in securing export credit agency loans ("ECA") from the European markets to facilitate the capital goods investments of manufacturing companies in Türkiye and has already executed a number of these transactions. The FI unit actively collaborates with leading multilateral development finance institutions to finance the SME sector and achieve sustainable growth of the Turkish economy. The FI unit also secures bilateral facilities, mainly from Islamic banks, to meet the long-term funding requirements of Ziraat Katilim. A crucial responsibility of the FI unit is to manage Ziraat Katilim's counterparty risks in terms of correspondent banking exposures and country exposures related to trade finance and treasury transactions. Therefore, the FI unit closely monitors global economic and financial developments and makes appropriate suggestions to senior management for taking actions related to credit limit allocated to correspondent banks and setting up country exposure ceilings. The FI unit has agreements with correspondent banks to facilitate the interbank money market and foreign exchange transactions of the Treasury function.

The IB unit provides wholesale funding for Ziraat Katilim in the form of bilateral, syndicated credit facilities and sukuk issuances in the domestic and international markets. It also arranges other credit facilities with development banks and/or multinational financial institutions on behalf of Ziraat Katilim. Ziraat Katilim has issued several TRY denominated sukuk (*kira sertifikası*) certificates in the Turkish local market through the Issuer.

The Overseas Banking Unit ("OBU") was established in 2022 as part of the overseas expansion strategy of Ziraat Katilim. The OBU primarily explores geographies for further foreign branch opening opportunities with a focus on the African continent, supports the current overseas branches in respect of their project and infrastructure requirements, and facilitates and coordinates the ongoing business needs between overseas and local branch clients.

## **Treasury**

Ziraat Katilim's treasury department mainly focuses on managing liquidity and providing treasury products and services to its customers, such as foreign exchange services. Base rates for assets and liabilities for all maturities are determined by the treasury department with the consent of the Assets and Liabilities Committee ("ALCO"). Further, the treasury department has a supportive function in the development of new products in order to satisfy customer requirements. The treasury department has played a significant role in the increase of the profitability of Ziraat Katilim, in addition to the realisation of foreign exchange targets and the effective management of Ziraat Katilim's liquidity and foreign currency position.

As at 30 June 2023, the amount of financial assets measured at fair value through other comprehensive income is TRY 19,090.07 million, which is 6.24 per cent. of Ziraat Katilim's total assets. As at 30 June 2022, the amount of financial assets measured at fair value through other comprehensive income is TRY 14,113.36 million, which was 9.30 per cent. of Ziraat Katilim's total assets.

As at 31 December 2022, the amount of financial assets measured at fair value through other comprehensive income is TRY 18,823.73 million, which is 8.86 per cent. of Ziraat Katilim's total assets. As at 31 December 2021, the amount of financial assets measured at fair value through other comprehensive income is TRY 8,589.57 million, which was 8.72 per cent. of Ziraat Katilim's total assets.

## ***Treasury products and services***

The treasury department markets the treasury products that Ziraat Katilim offers including currency spot trading, precious metal trading, currency forwards and sukuks. Further, Ziraat Katilim developed a Waad product with Ziraat Portfolio Management Company in order to meet the short-term liquidity management requirements of its customers. The Waad product master agreement was also signed with other portfolio management companies. The treasury department also contributed to the increase in the customer base of Ziraat Katilim through its competitive currency pricing policy.

## ***Liquidity Management***

The treasury department is responsible for liquidity management of Ziraat Katilim and acts under the supervision of the ALCO. The treasury department of Ziraat Katilim receives data from other business departments regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Ziraat Katilim is a newly established bank and has a high growth rate. To meet the requirements of this high growth rate, the treasury department maintains a portfolio of short-term liquid assets (approximately 25.11 per cent. of total assets as at 30 June 2023 and 27.87 per cent. of total assets as at 31 December 2022) consisting of cash and cash equivalent assets such as sukuk. The sukuk portfolio is primarily used as a liquidity management tool. Ziraat Katilim lends its excess TRY and FX short-term liquidity to other banks and borrows short-term liquidity from other banks via commodity murabaha and wakala agreements. Ziraat Katilim enters into wakala agreements with full-fledged Islamic Banks and commodity murabaha agreements with both Islamic and conventional banks. Ziraat Katilim's daily liquidity position is monitored by the treasury department and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by the ALCO. Ziraat Katilim heavily relies on deposits from customers, some of which are public institutions, as its primary sources of funding. Deposits from customers generally have shorter maturities and a significant proportion of them are repayable on demand. However, Ziraat Katilim's deposits stickiness ratio for the year 2022 is approximately 84.87 per cent.

## **Digital banking**

Digital banking is the digitisation of all banking activities and programs that historically were only available to customers through a branch. This includes mobile banking, online (internet) banking, ATM and customer contact centres (telephone banking). Ziraat Katilim's digital banking channels enable fast and secure banking transactions over the internet without physically having to visit a branch.

Ziraat Katilim aims to increase its market share by using the latest technologies and by gaining customer confidence. Digital channels offered by Ziraat Katilim are much easier to use and are low cost. The digital banking services provide Ziraat Katilim's customers the ability to manage their accounts online with a mobile device or computer. Individual and corporate customers can use the mobile application in Turkish, English and Arabic to check their account statements, pay invoices and taxes, conduct money transfers, investment transactions, insurance transactions, foreign trade transactions and various other banking functionalities.

Ziraat Katilim continued to invest in digital technology in 2023. More than 7.2 million financial transactions were made with the mobile services in 2023 to date and, in the same period, the mobile application was downloaded by 1,100,000 users. This has increased the transaction diversity in internet banking, enabling customers to carry out all banking transactions through digital channels. In 2023, the number of active customers using Ziraat Katilim's internet channels increased by more than 54 per cent. Ziraat Katilim's customers are provided with free cash withdrawal/deposit services at more than 19,800 ATMs throughout Türkiye. By comparison, in 2022, the number of active customers using Ziraat Katilim's internet channels increased by more than 44 per cent. Ziraat Katilim's customers are provided with free cash withdrawal/deposit services at more than 19,000 ATMs throughout Türkiye.

Ziraat Katilim aims to minimise the need for physical branches by providing all banking products via its digital channels.

Ziraat Katilim will continue to enhance its digital transformation towards its customers' needs and preferences. By following technological developments, Ziraat Katilim aims to provide innovative projects and new products via the digital channels. Ziraat Katilim aims to continue its activities in this direction in light of its pioneering participation banking vision and leading role in the sector.

## **Risk management**

Ziraat Katilim has exposure to the following risks in its business and operations including:

- Credit risk;
- Operational risk;

- Market risk;
- Liquidity risk; and
- Profit share rate risk.

(see "*Description of Ziraat Katilim - Ziraat Katilim's Risk Management*" for further details).

The Board of Directors (the "**Board**") has overall responsibility for the establishment and oversight of Ziraat Katilim's risk management framework. Ziraat Katilim has full scale risk management systems in place. The Audit Committee (the "**AC**") reports directly to the Board and formulates overall risk management strategy, presents this strategy to the Board for approval, supervises and monitors business activities and takes precautionary measures, where necessary.

Ziraat Katilim's risk management policies are established to identify and analyse the risks faced by Ziraat Katilim, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the products and services offered. Ziraat Katilim, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

### ***Risk Management - overview and key principles***

The Risk Management Department ("**RM**") is comprised of the AC (see "*Description of Ziraat Katilim - Audit Committee*") which operates under the Board through the AC. As at 30 June 2023, the RM is composed of 10 employees.

Data relating to operational losses of Ziraat Katilim is collected and analysed regularly by the RM. The main principles that the RM considers in evaluating and addressing risk are summarised below.

#### ***Risk identification and reporting***

Any changes in the cash flow of the business, changes to products or policies are monitored, reviewed, investigated and conducted by the relevant committees and departments. Risks in relation to support services are also analysed. Results of such risk identification and investigation and risk assessment reports are drawn up. The RM reports the results of its risk analysis to the relevant units and committees as well as to management and the AC. The reports relating to Basel II and Basel III are delivered to Ziraat Katilim's independent auditor at the end of each quarter. Statutory reporting is frequently made to the BRSA depending on the subject matter and urgency of the reports.

Documentation designating the policies, procedures and risk limits are reviewed on an annual basis and any necessary revisions are made. Ziraat Katilim bases such documents on standard terms in order to minimise risk in respect of arrangements it enters into with customers and counterparties.

#### ***Risk quantification***

Credit, market and operational risks are calculated at the end of each month in accordance with BRSA principles.

In respect of the foreign exchange purchase and sale operations against the Turkish Lira and trading operations from cross rates which are realised during the course of each day, values in relation to daily risks are calculated by means of the historical analogy method and parametric methods. The validity and reliability of the calculations are checked with retrospective tests.

At the end of each quarter, stress tests are repeated and the maximum losses which could be incurred in Ziraat Katilim's portfolio and positions are predicted negatively and the effects thereof on Ziraat Katilim's capital adequacy are analysed.

For the purposes of calculating compliance with statutory capital adequacy requirements, operational risk assessments are performed in line with the Basel II "Basic Indicator" approach and in accordance with BRSA principles. In addition, Ziraat Katilim has an operational risk loss data base.

### *Risk tracking*

The RM monitors economic data and attempts to predict trends in relevant markets. Risk concentrations (for example, in relation to customers, sectors and industries) are monitored on a weekly basis to ensure compliance with the limits set out in Ziraat Katilim's policies. Any changes in the risk levels which Ziraat Katilim is exposed to on the basis of the RM's assessment of market conditions are tracked and any missing data is accumulated. Active and passive items are classified at set time intervals dependent on outstanding maturity terms and the liquidity gaps are monitored.

### *Compliance department*

Ziraat Katilim's compliance department operates to ensure the effective, efficient and proper operation of Ziraat Katilim's compliance policy. The compliance department is responsible for ensuring that all activities conducted by Ziraat Katilim (including new transactions and products) comply with the law and other relevant legislation, internal bank policies and rules and banking practices. The compliance department is also responsible for the following:

- through the legal advisory department, to promptly notify banking personnel of changes in law and other relevant legislation and internal bank policies and rules. The compliance department also actively participates in the review of the legislation and documentation regulation;
- ensuring compliance with Ziraat Katilim's compliance policies which have been developed within the framework of a risk-based approach to ensure compliance with relevant legislation and regulations enacted pursuant to laws and compliance with international regulations and standards for combating the laundering of the proceeds of crime and the financing of terrorism;
- co-ordinating the training of personnel within the framework of Ziraat Katilim's AML principles and by the relevant departments;
- ensuring that suspicious transactions are inspected and notified within the framework of the compliance department policies by the relevant department and under the supervision of the compliance officer; and
- submitting reports to the AC which are prepared after the examination of the accounts that are risky due to their nature.

The compliance department operates to ensure the effective, efficient and proper operation of Ziraat Katilim's compliance policy ("**Compliance Policy**") and to ensure that the head office and the branches conform to the Compliance Policy, including its compliance system. The department is also responsible for maintaining and improving Ziraat Katilim's Compliance Policy and for ensuring compliance controls issued by the BRSA and the Financial Crimes Investigation Board ("**MASAK**") are met. In accordance with Ziraat Katilim's internal AML policy and regulatory requirements, the Compliance Manager has been appointed as the Money Laundering Reporting Officer ("**MLRO**") (see "*Description of Ziraat Katilim — Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) Policies*" for further details).

In addition to its compliance function, the compliance department is also responsible for tracking regulatory changes and advising branches and head office on legal and regulatory issues. As at 30 June 2023, the compliance department reports directly to the AC and consists of thirteen employees.

### **Risk Committees**

#### *Asset and Liability Committee*

ALCO's role is to develop, monitor and review Ziraat Katilim's implementation of its asset and liability management strategy.

ALCO is mainly responsible for reviewing and approving all liquidity policies and procedures. Weekly reports covering the liquidity position of Ziraat Katilim and a summary report, including any exceptions and remedial action taken, are submitted to ALCO on a monthly basis. In each case, ALCO undertakes a profitability/risk analysis of each position. ALCO meets on a weekly basis and is responsible for:

- making weekly decisions on the overall funding structure as well as regularly determining the amount of resources available to the business segments;
- establishing risk concentration limits, economic sectorial limits and portfolio diversification tools and processes for managing risks;
- managing Ziraat Katilim's balance sheet and establishing contingency procedures in respect of liquidity risk;
- managing liquidity policies; and
- making decisions regarding maturities and pricing of assets and liabilities as well as the buying and selling of securities to manage Ziraat Katilim's position with respect thereto.

#### *Audit Committee*

The AC is responsible for monitoring compliance with Ziraat Katilim's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by Ziraat Katilim. The AC is assisted in these functions by Internal Audit and Internal Control (see "Description of Ziraat Katilim — Internal Audit - Internal Control"). The AC oversees the coordination of the relationships between the Internal Audit Department, Internal Control and the RM. The AC ensures the regularity of information flow to the Board and prepares the relevant policies, procedures, and principles and submits the same for the approval of the Board. The AC provides the Board, on at least a semi-annual basis, with its report regarding the results of the activities it has carried out, the measures which it deems necessary to be taken at Ziraat Katilim, the applications required to be realised and other issues deemed as significant in terms of the maintenance of the activities of Ziraat Katilim in a secure manner.

The AC convened a total of 13 times at the headquarters of Ziraat Katilim in 2022 and a total of 10 times at the headquarters of Ziraat Katilim in 2021. Furthermore, the AC met four times during 2022 with its independent auditor (PwC Türkiye) and assessed the three quarterly and one year-end audit reports. It evaluated the findings and assurances of the internal audit units of Ziraat Katilim within the scope of these meetings and submitted the issues which have been considered as significant to the Board. Again, within the same framework, issues raised by the independent auditors and the inspection team of the BRSA are assessed by the AC and raised with the Board.

The AC is responsible for monitoring the activities of the following departments:

#### *Risk Management Department*

Ziraat Katilim's risk management activities are based on a best practice approach. This is supported by continuous improvement of internal systems, human resources and risk culture placement.

Risk management activities are credit risk, market risk, operational risk and balance sheet risks. The policy and implementation procedures related to the management of such risks are carried out in accordance with the regulations approved by the Board on the basis of each type of risk. Additional diligence is carried out to ensure that the activities conducted are coordinated with the contributions of all units involved in the activity to which the risk types are related.

#### *Internal Audit ("IA")*

The IA undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC. The IA's activities also cover Ziraat Katilim's branches, regional directorates, head office units, banking processes and information systems. The primary purpose of the IA is to review the activities of Ziraat Katilim and to work with consulting services to provide an independent and objective review of Ziraat Katilim's risk management. The IA audits the activities of Ziraat Katilim in a manner which is independent from Ziraat Katilim's daily work flows and objectives within the applicable internal and external regulations and by means of the application of modern audit techniques with a risk-focused approach.

The audits which were performed within the scope of the audit program for 2022 are summarised below:

- 45 branches were audited;

- 9 banking processes were audited;
- 3 audits were performed at the head office;
- 8 support service company were audited and;
- 16 information system audits were carried out under the Control Objectives for Information and Related Technology ("**COBIT**") framework.

As at 30 June 2023, the IA comprised of 21 employees. The IA staff attended a total of 4,068 hours of vocational training programmes, congresses, seminars and conferences in 2022. The average amount of training given to the IA personnel in 2022 was 170 hours per employee.

#### *Internal Control ("**IC**")*

The IC undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the AC. The IC system includes domestic and foreign branch and headquarter units of Ziraat Katilim and partnerships.

The primary purpose of the IC is to review the activities of Ziraat Katilim and to work with consulting service providers to deliver an independent and objective review of Ziraat Katilim's risk management. The IC controls the activities of Ziraat Katilim in a manner which is independent from Ziraat Katilim's daily work flow and objectives within the applicable internal and external regulations and by means of the application of modern audit techniques with a risk-focused approach.

The controls which were performed within the scope of the control program for 2022 are summarised below:

- 82 branches were audited;
- 14 audits were performed at the head office; and
- 2 subsidiary subject to consolidation was audited.

As at 30 June 2023, the IC comprised of 12 employees. The IC staff attended a total of 292 days of vocational training programmes, congresses, seminars and conferences in 2022. The average amount of training given to the IC personnel was 17 days per employee.

### **Ziraat Katilim Risk Management**

#### ***Credit risk***

Ziraat Katilim follows the below guidance in order to maintain its credit risk management culture:

- (a) maintaining a strong culture of responsible financing, supported by a robust risk policy and control framework;
- (b) challenging business originators effectively in defining and implementing risk appetite; and
- (c) ensuring independent, expert scrutiny and approval of credit risks and their mitigation.

Ziraat Katilim uses core concepts to measure and manage credit risk objectively and lays down the guiding principles for businesses to follow. These guiding principles do not change for different businesses. Business specific procedures allow businesses to capture unique aspects that differentiate them from other businesses in Ziraat Katilim.

The initial decision to extend a loan to a counterparty is the most important step in managing credit risk. Extension of a loan is authorised at the Ziraat Katilim Board level or at appropriate levels of management depending on the size of the proposed commitment, and in accordance with banking regulations in Türkiye.

Ziraat Katilim places strong emphasis on obtaining sufficient collateral from borrowers including, wherever possible, mortgages or security interests over other assets. The day-to-day management of credit risk is

overseen by individual business units, which perform regular appraisals of counterparty credit quantitative information.

The loan portfolio is monitored from different angles such as industry, geographical location and other risk categories. Credit risks are managed by reviewing the limits periodically, defining new limits, rating customers and making scenario analyses, calculating provisions, obtaining collateral and insurance.

Credit risk is defined as the current or prospective threat to Ziraat Katilim's earnings and capital as a result of a counterparty's failure to comply with a financial or other contractual obligation in respect of the institution, including the possibility of restrictions on, or impediments to, the transfer of payments from abroad and arises principally from Ziraat Katilim's loans and advances to customers and other banks and investment securities. For risk management reporting purposes, Ziraat Katilim considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country risk and sector risk).

For credit risk management purposes the RM is involved in:

- (a) the determination of credit risk policies in coordination with Ziraat Katilim's other units;
- (b) the determination and monitoring of the distribution of concentration limits with respect to sector, geography, segment, approval authority and loan types;
- (c) contribution to the formation of rating and scoring systems;
- (d) submitting to the Board and the senior management credit risk management reports about the loan portfolio's distribution (borrower, sector, geographical, regional, segmental), asset quality (including impaired loans, net loan loss, target market tierings and credit risk ratings) and loan concentration and also scenario analysis reports, stress tests and other analyses; and
- (e) studies regarding the formation of advanced credit risk measurement approaches.

Ziraat Katilim's credit risk is measured periodically where the results are analysed and the effects on its capital adequacy ratio are taken into consideration. Regular audits of business units and Ziraat Katilim's credit processes are undertaken by the IA.

Ziraat Katilim controls credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of these counterparties. Ziraat Katilim limits the levels of credit risk it undertakes by diversifying loan allocations among different sectors of the economy. This means that limits are placed on the amount of risk accepted in relation to one customer or counterparty, or groups of customers, and to industry and geographical areas. Ziraat Katilim places a strong emphasis on obtaining sufficient collateral from customers including, wherever possible, security over other assets (for example, mortgages, security over physical assets and security over bank accounts).

Related departments prepare periodic reports that show the distribution of performing and NPLs across sectors, maturity dates, currency distribution of loans, the break-down of loans in terms of customer segmentation, sectors, sensitivity of the corporate loan portfolio in terms of liquidity, management, default, commodity, country, market and investment risks. The control and management of Ziraat Katilim's credit risk is based on a number of principles and policies, as well as a range of procedures, systems and processes including Ziraat Katilim's credit policies and procedures. Ziraat Katilim's principal country, industry, bank and customer risk limits are set out in the credit policy and related policies which are subject to regular review.

Ziraat Katilim ensures that the restrictions provided in the Banking Law and the relevant legislation are adhered to. Loan allocations are carried out by separate authorised individuals or committees for each customer or customer group with reference to the financial analyses, intelligence reports and ratings given to customers. The limits allocated are periodically reviewed and the intelligence information on the customer is renewed. The performance of the debtor of the loan is continuously monitored.

Notwithstanding the creditworthiness of the customer, Ziraat Katilim constantly analyses and reviews the collateralisation for risk reduction. Ziraat Katilim also observes the compliance of the terms and currencies of the collaterals with the terms and currencies of the loans. The collaterals which are attained are periodically evaluated and insured. Provisions are allocated for loan receivables in default in accordance with the relevant BRSA regulation. Ziraat Katilim applies the same monitoring standards to non-cash loans.

The following table sets out Ziraat Katilim's exposure to credit risk for the six months ended 30 June 2023 and 30 June 2022 and the years ended 2022 and 2021.

	Net cash loans			
	30 June 2023	30 June 2022	31 December 2022	31 December 2021
Carrying amount .....	1,875,741	1,698,976	1,698,976	1,181,058
<b>Non-performing Loans</b>				
III.Group: Impaired.....	21,241	141,548	23,334	41,467
IV.Group: Impaired.....	76,447	65,841	178,305	391,196
V.Group: Impaired.....	1,886,513	1,613,870	1,674,102	1,266,313
Gross amount .....	1,984,201	1,821,259	1,875,741	1,698,976
Specific Provision .....	1,766,547	1,462,302	1,595,446	1,337,712
<b>Performing Loans and Lease Receivables</b>				
I.Group: Standard Loans and Lease Receivables.....	210,998,878	101,274,542	143,092,370	64,162,856
<b>Watch List</b>				
II.Group: Close Monitoring Loans .....	3,533,330	2,258,687	2,607,193	2,272,984
<b>Past due comprises</b>				
1-30 days.....	143,900	44,305	19,474	34,695
31-60 days.....	70,232	9,665	4,981	17,451
61-90 days.....	80,856	206,544	145,116	126,804
<b>Carrying amount</b> .....	<u>216,516,409</u>	<u>105,354,488</u>	<u>147,575,304</u>	<u>68,134,816</u>
<b>Expected credit loss</b> .....	<u>3,359,102</u>	<u>2,060,979</u>	<u>2,717,036</u>	<u>1,734,896</u>
<b>Total carrying amount amortised cost</b> .....	<u>213,157,307</u>	<u>103,293,509</u>	<u>144,858,268</u>	<u>66,399,920</u>

### Operational Risk ("OR")

The OR is the risk of direct or indirect loss arising from a wide variety of causes associated with Ziraat Katilim's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The OR arises from all of Ziraat Katilim's operations and is faced by all business entities.

### Market risk

Market risk is risk that changes in market prices, such as equity prices, foreign exchange rates and credit spreads, would affect Ziraat Katilim's income or the value of its holding of financial instruments (for example, as a result of changes in foreign currency exchange rates, or market changes that affect market risk sensitive instruments). Market risk is attributed to all market risk sensitive financial instruments, including loans, deposits and loan facilities. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

Ziraat Katilim manages the market risk exposure through ALCO, comprising members of management and through limits imposed on Ziraat Katilim's treasury and financial assets trading positions. Market risk is actively managed by monitoring prices, rates and indexes, defining limits and durations for positions, authorising transactions, Value-at-Risk ("VaR") calculations and back-tests and making scenario analysis.

### Liquidity Risk

Ziraat Katilim's short-term liquidity need is met primarily from deposits. In order to manage liquidity risk, Ziraat Katilim measures and manages its cash flow commitments on a weekly basis through ALCO meetings. Ziraat Katilim uses various methods, including predictions of weekly cash positions, to monitor and manage the liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source. Liquidity risk is actively managed by monitoring the maturities of Ziraat Katilim's assets and liabilities, promoting incentives for depositing for longer periods, collecting loans in instalments, making cash flow projections, making scenario analysis and monitoring the liquidity position on a daily basis. In accordance with banking regulations, Ziraat Katilim calculates and monitors Liquidity Coverage Ratio. According to Regulation of Calculating Liquidity Coverage Ratio, banks must have sufficient High Quality Liquid Assets ("HQLA") to survive a significant stress scenario lasting 30 calendar days. As at 30 June 2023, the HQLA amount of Ziraat Katilim was TRY 54,646.99 million (compared to TRY 31,934.45 million as at 30 June 2022) while the HQLA amount as at 31 December 2022 was TRY 31,794.43 million (compared to the TRY 20,270.95 million as at 31 December 2021).

### ***Profit Share Rate Risk***

Profit share rate risk arises from the possibility that, changes in the conventional profit share rate, will affect the future profitability or the fair value of financial instruments. Ziraat Katilim is exposed to profit share rate risk as a result of mismatches or gaps in the amount of assets, liabilities and off-balance sheet instruments that mature or re-price during a given period. The impact of possible changes in the profit share rates are measured and the profit share rate gaps are reviewed to initiate corrective action in Ziraat Katilim's funding profit to ensure that the overall profit share rate risk remains within acceptable limits.

The principal objective of Ziraat Katilim's management activities for profit share rate risk is to enhance profitability by limiting the effect of adverse profit share rate movements in the sector and increasing profit share income by managing profit share rate exposure. Ziraat Katilim monitors profit share sensitivity by analysing the composition of its assets and liabilities and off-balance sheet financial instruments.

The major portion of Ziraat Katilim's customers' current and profit sharing accounts are short term. Accordingly, profit share rates are in line with the prevailing profit share rates in the market. Therefore, the fair value of such financing activities does not materially differ from their respective book values.

### **Key risks for Ziraat Katilim**

#### ***Funding and Liquidity Risk***

Funding and liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments and the risk of being unable to liquidate a position in a timely manner and at a reasonable price. The risk arises in the general funding of Ziraat Katilim's financing activities and in the management of its positions.

Ziraat Katilim's approach to managing liquidity is to ensure, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Ziraat Katilim's reputation and to ensure compliance with BRSA regulations.

It is critical for Ziraat Katilim to have a liquidity management framework in place in order to meet payment and settlement obligations in a timely manner under both normal and stressed conditions. As such, Ziraat Katilim has a process for identifying, measuring, monitoring and controlling liquidity risk in both local and relevant foreign currencies.

The following tables set out certain information (taken from the consolidated audited financial statements) in relation to the maturity of Ziraat Katilim's consolidated assets and liabilities and shareholders' equity for the period presented.

<b>30 June 2023</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Unallocated</b>	<b>Total</b>
<i>(TRY in thousands)</i>								
Total assets .....	21,538,181	56,755,385	28,340,769	81,995,427	89,978,336	22,882,116	4,327,888	305,818,102
Liabilities and shareholders' equity .....	45,568,333	141,270,326	61,748,364	27,183,433	1,653,805	1,586,289	26,807,552	305,818,102
Net: .....	(24,030,152)	(84,514,941)	(33,407,595)	54,811,994	88,324,531	21,295,827	(22,479,664)	-
<b>30 June 2022</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Unallocated</b>	<b>Total</b>
<i>(TRY in thousands)</i>								
Total assets .....	11,817,396	19,188,206	8,054,489	37,387,881	58,676,651	13,940,851	2,532,107	151,597,581
Liabilities and shareholders' equity .....	23,325,522	62,290,162	40,003,386	7,673,085	2,805,284	-	15,500,143	151,597,581
Net: .....	(11,508,126)	(43,101,956)	(31,948,897)	29,714,796	55,871,367	13,940,851	(12,968,036)	-
<b>31 December 2022</b>	<b>Demand</b>	<b>Less than one month</b>	<b>1-3 Months</b>	<b>3-12 Months</b>	<b>1-5 Years</b>	<b>Over 5 Years</b>	<b>Unallocated</b>	<b>Total</b>
<i>(TRY in thousands)</i>								
Total assets .....	21,133,268	28,968,371	22,437,236	51,256,200	64,972,824	20,243,452	3,345,572	212,356,923
Liabilities and shareholders' equity .....	38,511,449	87,516,160	49,034,933	12,932,062	1,618,703	1,341,748	21,401,868	212,356,923
Net: .....	(17,378,181)	(58,547,789)	(26,597,697)	38,324,138	63,354,121	18,901,704	(18,056,296)	-

31 December 2021	Demand	Less than one month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Unallocated	Total
(TRY in thousands)								
Total assets .....	8,057,972	11,030,304	6,407,118	15,491,757	43,524,028	11,869,255	2,135,204	98,515,638
Liabilities and shareholders' equity .....	21,605,469	38,425,937	23,135,240	4,320,953	3,254,697	-	7,773,342	98,515,638
Net: .....	(13,547,497)	(27,395,633)	(16,728,122)	11,170,804	40,269,331	11,869,255	(5,638,138)	-

The following table sets out certain information as to Ziraat Katilim's liquidity coverage ratios as at 30 June 2023:

	Average	Minimum	Maximum
FX (per cent.) .....	220,206	197,68	253,89
FX + TRY (per cent.) .....	133,178	122,24	150,18

The following table sets out certain information as to Ziraat Katilim's liquidity coverage ratios as at 31 December 2022:

	Average	Minimum	Maximum
FX (per cent.) .....	214,62	195,28	252,9
FX + TRY (per cent.) .....	124,44	111,89	135,57

As a participation bank, Ziraat Katilim is less sensitive to certain funding and liquidity risks than conventional banks may be. The performance of, and return on, Ziraat Katilim's customers participation accounts are directly tied to the performance of, and return on, Ziraat Katilim's loan portfolio, thus limiting negative liquidity effects during periods of market fluctuation. Moreover, because of the monthly principal repayment schedule for commercial loans (Ziraat Katilim does not offer the equivalent of interest only or "balloon" loans) it has more predictable month-to-month cash flows. This more predictable access to funds gives Ziraat Katilim additional flexibility in managing funding and liquidity risk exposure. Ziraat Katilim continually assesses its funding and liquidity risk by identifying and monitoring changes in the funding required to meet business goals and targets set in terms of its overall strategy. However, if customers holding participation accounts see a deterioration in Ziraat Katilim's asset quality, or a rise in the levels of its NPLs, their only option to protect their investment is to withdraw their funds. The higher probability of withdrawal can cause a liquidity issue that conventional banks are not exposed to.

The matching and controlled mismatching of the maturities and profit-sharing rates or profit rates of assets and liabilities is fundamental to the management of Ziraat Katilim's business. It is unusual for these to be completely matched as transacted business is often of uncertain terms and of different types. Furthermore, due to the short-term nature of deposits in Türkiye, maturity mismatches are a common problem for Turkish banks. An unmatched position potentially enhances profitability, but also increases the risk of losses. The maturities of assets and liabilities and the ability to replace them, at an acceptable cost, are important factors in assessing Ziraat Katilim's liquidity and its exposure to changes in interest/profit or profit rates and exchange rates. Liquidity requirements to support calls under letters of guarantee, letters of credit and other non-cash loans are considerably less than the amount of the commitment.

Since Ziraat Katilim is a participation bank, certain alternative sources of funding typically used by conventional banks (such as interest-bearing facilities and securities portfolios) are not available to it and Ziraat Katilim's ability to develop new sources may be limited or slowed by the approval process to which it subjects its financing and banking products (see "*Risk Factors—Risks relating to Ziraat Katilim and its business—Risks relating to Ziraat Katilim's Business*" for further details).

### Legal Risk

Ziraat Katilim has a full-time legal team which deals with both routine and more complex legal issues. Situations of a particular complexity and sensitivity are referred to external firms of lawyers, either in Türkiye or overseas, as appropriate. Ziraat Katilim also seeks to mitigate legal risk through the use of properly reviewed standard documentation and appropriate legal advice in relation to its non-standard documentation.

As at 30 June 2023, there were no material outstanding law suits against Ziraat Katilim – (see "*Legal Proceedings*" for further details).

## Capital Adequacy

Ziraat Katilim's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. Ziraat Katilim calculates its capital adequacy ratio in accordance with guidelines promulgated by the BRSA, which are based on the standards established for international settlements. In implementing current capital requirements, the BRSA requires the banks to maintain a prescribed ratio of a minimum of 8 per cent. of total capital to total risk-weighted assets.

Ziraat Katilim's regulatory capital is analysed in two tiers:

- (a) Tier 1 capital: composed of share capital, legal, statutory, other profit and extraordinary reserves, and retained earnings after deduction of leasehold improvements, prepaid expenses and certain other costs.
- (b) Tier 2 capital: composed of the total amount of general provisions for loans, fair value reserves of financial assets at fair value through profit or loss, financial assets and buildings set aside for contingencies.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-balance sheet exposures. Operational risk capital requirements and market risk capital requirements as at 30 June 2023, 30 June 2022, 31 December 2022 and 31 December 2021 are calculated using the basic indicator and standardised approach and included in the capital adequacy calculations.

Ziraat Katilim and its individually regulated operations have complied with externally imposed capital requirements throughout 2022 and 2021. As at 31 December 2022, Ziraat Katilim's total capital adequacy ratio was 15.57 per cent. (Tier 1: 13.70 per cent.), 14.02 per cent. as at 31 December 2021 (Tier 1: 10.84 per cent.). As at 30 June 2023, Ziraat Katilim's total capital adequacy ratio was 14.57 per cent. (Tier 1: 13.04 per cent.) (see "Risk Factors—Risks relating to Ziraat Katilim and its business—Risks relating to Ziraat Katilim's Business" for further details).

The table below sets out Ziraat Katilim's capital base and risk weighted assets as at 30 June 2023, 30 June 2022, 31 December 2021 and 31 December 2022 (the following data is derived from the consolidated audited financial statements).

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
		<i>(TRY in thousands)</i>		
Tier 1 capital .....	18,185,782	10,086,369	13,994,981	5,219,677
Tier 2 capital .....	2,147,004	1,611,681	1,915,573	1,529,704
Deductions from capital .....	22,224	1,229	9,210	1,770
<b>Total regulatory capital .....</b>	<b>20,310,562</b>	<b>11,696,821</b>	<b>15,901,345</b>	<b>6,747,612</b>
Risk-weighted objects .....	139,444,092	77,908,537	102,160,656	48,141,964
Value at credit risk .....	129,591,264	73,764,839	97,608,461	44,809,815
Value at market risk .....	1,428,417	509,958	918,455	343,323
Value at operational risk .....	8,424,411	3,633,740	3,633,740	2,988,826
Capital ratios				
Total regulatory capital expressed as a percentage of total risk-weighted assets, value at market risk .....	14.57%	15.01%	15.57%	14.02%
Total tier 1 capital expressed as a percentage of total risk weighted assets, value at market risk .....	13.04%	12.95%	13.70%	10.84%

## Information Technology ("IT")

Ziraat Katilim is committed to maintaining an IT infrastructure that supports its growth while minimising operational risks and business interruptions. Ziraat Katilim has made significant investments in developing its IT infrastructure, focusing on aligning its IT systems to ensure efficiency, including the rebuilding and upgrading of its data centre, and taking a long-term view of business and technological changes.

Microsoft environments and products are the major building blocks in Ziraat Katilim's IT infrastructure. Core banking applications, cards, delivery channels and other peripheral applications are being developed according to service-orientated architecture principles and deployed using Microsoft technologies (such as .NET, C#, WCF and SQL).

The primary server at the Esenyurt data centre is monitored 24 hours a day, seven days a week. In the event that one of the primary systems be unavailable or fail, a secondary server is able to maintain business services automatically without any service interruptions. Esenyurt data center also has the Uptime Institute Tier III design and facility certification. In addition, Ziraat Katilim has operated its Disaster Recovery Centre (the "DRC") from KKB's (*Kredi Kayıt Bürosu*, an official organisation established to collect and share the risk data of customers of credit institutions and other financial institutions) data centre in Ankara since 2017. Uptime Institute, an independent organisation, provides certifications in respect of Ziraat Katilim's DRC. Ziraat Katilim has the Uptime Institute Tier IV design certification for Ziraat Katilim's DRC. Ziraat Katilim's DRC has multiple electrical delivery paths to provide greater reliability.

All production data is replicated asynchronously to the DRC which has sufficient technical infrastructure to ensure the continuity of critical business processes. The DRC is not exposed to the same risks as Ziraat Katilim's primary data centre in Esenyurt as it is located approximately 500 kilometres from Ankara and the earthquake risk in Ankara is lower. During data recovery tests conducted by Ziraat Katilim 98.12 per cent. of all data was recovered.

Ziraat Katilim is considering implementing the Information Technology and Business Operations for emergency unexpected situations in order to launch the "Business Continuity Plan". Ziraat Katilim's Board have passed a board resolution approving such plan.

Ziraat Katilim also created tests to ensure that the systems are not damaged and could be reached. These tests have been successfully completed.

### ***Intellectual Property***

Ziraat Katilim's operations are not, to any significant extent (other than for the purposes of brand recognition and value), dependent on any specific intellectual property right. Ziraat Katilim seeks to protect the trademarks and trade names that it deems necessary for its operations, and it takes necessary measures to ensure that these rights are adequately protected.

### ***Insurance***

Ziraat Katilim maintains *Shari'a* compliant insurance in respect of its buildings, inventory, plant and equipment. These policies are maintained with Turkish insurance companies which, in turn, generally reinsure their risks in the international markets. Ziraat Katilim's insurance policies cover damages to its property, including its IT systems and data archives resulting from office fire, burglary, and malfunctioning electronic devices.

Ziraat Katilim maintains earthquake insurance as part of its property insurance. Real estate mortgages and other loan collateral are insured, as well as Ziraat Katilim's belongings. The main insurance companies with which Ziraat Katilim has executed agreements are Türkiye Katılım Sigorta, Bereket Sigorta and HDI Katılım Sigorta.

Ziraat Katilim has not experienced any material disputes with its insurance companies in respect of insurance claims which Ziraat Katilim has made.

### ***Anti-Money Laundering ("AML") and Combating the Finance of Terrorism ("CFT") and Customer Identification***

As a financial institution, the Financial Crimes Investigation Board laws and regulations with respect to AML/CFT are applicable to Ziraat Katilim. Ziraat Katilim has strict customer identification policies and product teams are precluded from establishing new business relationships until all relevant parties to the relationship have been identified and the nature of the business they expect to conduct has been established. Furthermore, Ziraat Katilim is committed to preventing the provision of its financial services for the purposes of money laundering or terrorist financing activity. In line with Ziraat Katilim's AML/CFT policy, all employees, regardless of their role in Ziraat Katilim, are trained in Ziraat Katilim's AML/CFT policy on an annual basis. These policies are in line with Ziraat Bank's policies.

Ziraat Katilim has appointed a MLRO who is responsible for supervising Ziraat Katilim's AML/CFT activities and for maintaining appropriate and effective systems, controls and records to ensure compliance with local AML/CFT regulations and the provisions of Ziraat Katilim's AML/CFT manual. The MLRO is

also responsible for reviewing and reporting any suspicious transactions/activities concerning a customer or an account to the respective regulator.

In order not to be unknowingly used as an intermediary in money laundering or terrorist financing, Ziraat Katilim has implemented comprehensive AML and know-your-customer policies and procedures to comply with Turkish and international AML rules and regulations. These policies and procedures apply to all local and international operations and transactions and include customer identification verification, retention of customer-related documentation and reporting of suspicious transactions to the authorities. Additionally, Ziraat Katilim requires that all its correspondent banks meet the requirements set forth in its AML policies.

The MLRO's responsibilities include formulating, issuing and implementing Ziraat Katilim's AML/CFT strategies and policies on an on-going basis, overseeing the provision of appropriate AML/CFT training to all relevant staff, supervising and coordinating the activities of Ziraat Katilim's business, including the principal activities and reporting to the Turkish Financial Intelligence Unit of the Financial Crimes Investigation Board, regarding any suspicious activities.

### ***Legal Proceedings***

As at the date of this Prospectus and in the last 12 months, Ziraat Katilim has not been involved in any governmental, legal or arbitration proceedings and no such proceedings are pending or so far as it is aware threatened, which may have, or have had, a significant effect on its financial position or profitability.

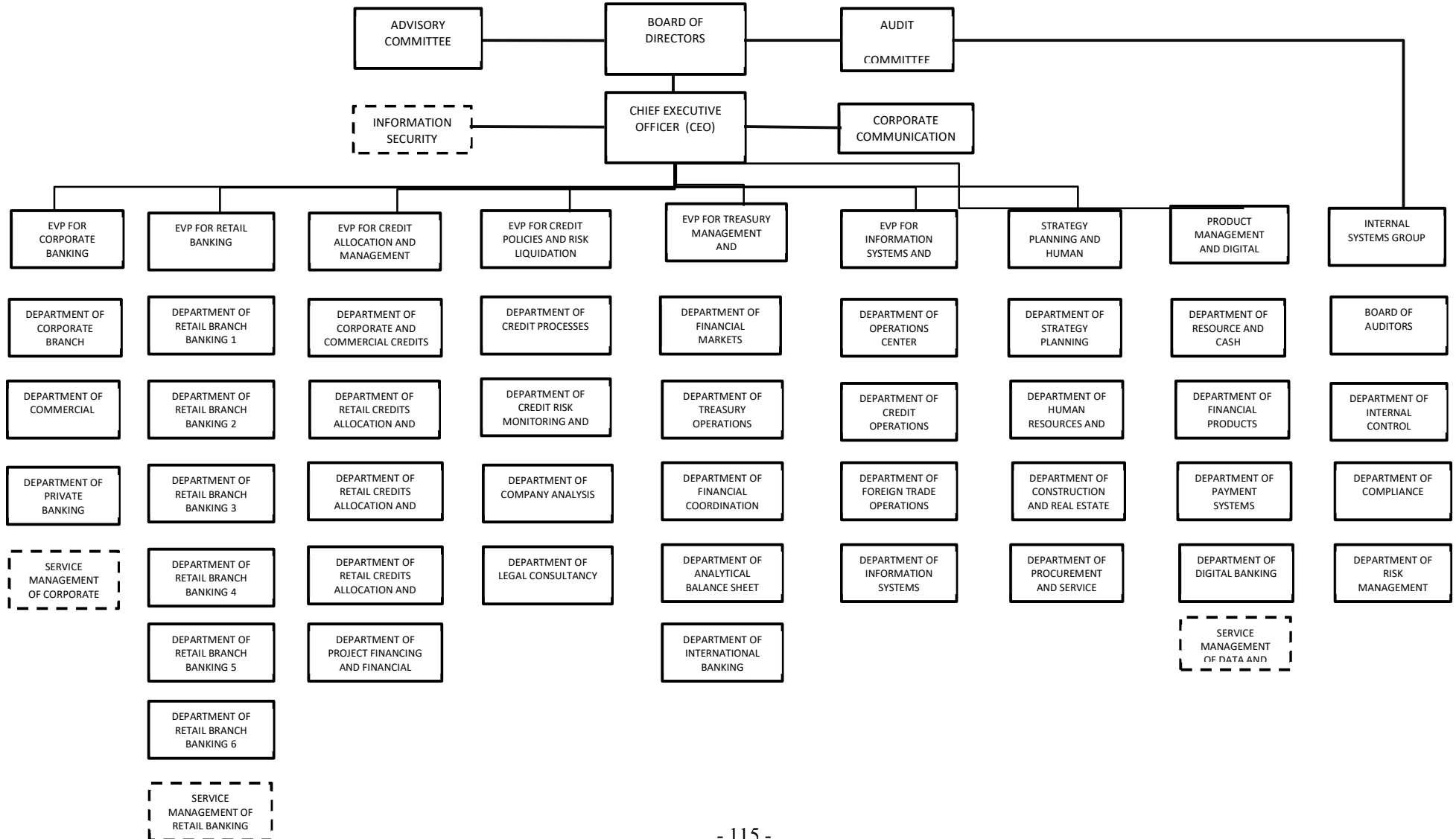
### ***Related Party Transactions***

Ziraat Katilim's related parties include its shareholders, directors and management, as well as entities owned and controlled by its key management. Ziraat Katilim enters into transactions with its related parties in the normal course of its business. The table below sets out the value of related party transactions entered into by Ziraat Katilim as at 30 June 2023, 30 June 2022, 31 December 2022 and 31 December 2021.

	<b>30 June 2023</b>	<b>30 June 2022</b>	<b>31 December 2022</b>	<b>31 December 2021</b>
		<i>(TRY in thousands)</i>		
Loans and Advances (including lease receivables).....	3,330	1,840	2,374	1,646
Customer Deposits .....	-	-	-	-
Derivatives .....	1,119,908	-	5,928,040	1,708,791

## MANAGEMENT

**Ziraat Katilim - Organisational Management Chart**



## Management

### *Board of Directors*

The following table sets out the Members of the Board as of the date of this Prospectus, the date of their appointment to the Board, the expiration date of their current term and their committee membership.

<b>Name</b>	<b>Position</b>	<b>Date first appointed</b>	<b>Date current term expires</b>	<b>Committee membership</b>
Alpaslan Çakar	Chairman	1 February 2022	3 August 2026	-
Fikretin Aksu	Vice Chairman and Member of the Board of Directors	19 June 2020	3 August 2026	-
Metin Özdemir	General Manager and Member of the Board of Directors, CEO	18 February 2015	3 August 2026	Member of the Audit Committee and Corporate Management Committee, Associate Member of Credit Committee
Mahmut Esfa Emek	Member of the Board of Directors	21 March 2021	3 August 2026	Member of Pricing Committee, President of Credit Committee
Ahmet Buçukoğlu	Member of the Board of Directors	19 June 2020	3 August 2026	Member of Audit Committee, Member of Pricing Committee, Associate Member of Credit Committee
Mehmet Başbüyük	Member of the Board of Directors	25 March 2022	3 August 2026	Member of Corporate, Management Committee
Dr. Murat Cangül	Member of the Board of Directors	3 August 2023	3 August 2026	Member of Remuneration Committee

There are no potential conflicts of interest between the private interests of the Directors listed above and their duties to Ziraat Katılım.

### **Alpaslan Çakar –Chairman**

Mr. Çakar graduated from Ankara University Faculty of Political Sciences Department of Public Administration. He started his career at T.C. Ziraat Bankası A.Ş. in 1996 as Assistant Inspector, then became an Inspector and Branch Manager. In 2005, he was appointed as Regional Head Manager. In August 2007, Mr. Çakar was promoted to Chairman of the Department, then worked as Vice President in charge of Individual Banking, Vice President in charge of Operational Transactions, Vice President in charge of Individual Banking and Vice President in charge of Retail Banking, respectively. He worked as Vice President in charge of Distribution Channels between January 2016 and July 2017, as Vice President in charge of Payment Systems between July 2017 and June 2018 and Vice President in charge of Retail Banking between June 2018 and March 2021. At the same time, between 2003 and 2019, Mr. Çakar acted as a member of the Board of Directors/Audit Committees of Ziraat Finansal Kiralama A.Ş., Bileşim Alternatif Dağıtım Kanalları Ödeme Sistemi A.Ş., Ziraat Hayat ve Emeklilik A.Ş., Ziraat Sigorta A.Ş.,

Kredi Kayıt Bürosu A.Ş., Ziraat Bank (Moscow) JSC, Türkmen Türk Ticaret Bankası, Ziraat Teknoloji A.Ş., Bankalararası Kart Merkezi A.Ş., Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş., Ziraat Bank (Moscow) JSC. Since 16 July 2019, he is the Chairman of the Board of Directors of Ziraat Bank (Moscow) JSC, and as of March 2021 he was appointed as CEO and Member of the Board of Directors of Ziraat Bank. Mr. Çakar also acts as the Chairman of the Turkish Banking Association since 22 April 2021. He is the Chairman of the Board of Directors of Ziraat Katılım since 1 February 2022.

**Fikrettin Aksu** – *Vice Chairman and Member of the Board*

Mr. Fikrettin Aksu graduated from Department of Business Management of the Kütahya Management Sciences Faculty at the Eskişehir Academy of Economic and Commercial Sciences, in 1979. After working at various institutions between 1980-1984, he started his career at Ziraat Bank in 1984. After working in various positions at the Bank between 1984-2014, he started working at Ziraat Hayat Emeklilik; having served as the General Manager of Ziraat Sigorta he served as the General Manager of Ziraat Yatırım Menkul Değerler, and served as the President of the Human Resources Group between October 2018 and December 2019. Later, he served as the Head of the Internal Operations Group. He has been serving as the Vice Chairman of Ziraat Katılım Board of Directors, a member of the Audit Committee and the Corporate Governance Committee since 19 June 2020, and as a member of the Credit Committee since 3 November 2021.

**Metin Özdemir** – *Member of the Board and CEO*

Mr Metin Özdemir graduated from the Istanbul University, School of Business Administration in 1990. Currently, Mr Özdemir is doing a master's degree in Marmara University, Institute Research of Middle East and Islamic Countries, the Economy Department. Mr Özdemir entered his profession in Kuveyt Turk Finans Kurumu A.Ş. (Kuveyt Türk) in 1992 and continued his career as a manager in retail industry starting from 1996. Mr Özdemir has served as the Member of Municipal Council of Istanbul Metropolitan Municipality between 2004 and 2014. Mr. Özdemir was a member of Ziraat Bank's Board of Directors and acted as a member of the Corporate Governance Committee and the Remuneration Committee from April 2012 until 27 May 2019. He served as the Chairman of the Board of the PBAT from May 2018 until May 2021. Mr. Özdemir has been a member of the Board of Directors of Ziraat Katılım since 18 February 2015 and was appointed as the CEO on 12 June 2017

**Ahmet Buçukoğlu** - *Member of the Board*

Born in Kayseri in 1955, Mr. Ahmet Buçukoglu graduated from the Department of Economics and Finance of the Faculty of Political Sciences at Ankara University in 1980. He started his career at Ziraat Bank in 1982. Between 1982 and 2014, he served as an Assistant Inspector, Inspector, Agricultural Loans Assistant Manager, Head of the Intelligence Department, Branch Manager and Regional Manager. Between 2014 and 2018, he served as the General Manager and Chairman of the Board of Directors at the Development Bank of Türkiye. Mr. Buçukoglu, who has been serving as a Member of the Board of Ziraat Katılım since 19 June, 2020, is also a member of our Bank's Credit Committee and Remuneration Committee.

**Mehmet Başbüyük** – *Member of the Board*

Mr. Mehmet Başbüyük was born in Artvin in 1966. He graduated from Istanbul University Faculty of Political Sciences Department of Public Administration in 1988. After working in various institutions between 1988 and 1991, he started to work at Albaraka Türk Participation Bankası A.Ş. in 1991 at the Fund Extension Department. Between 1995 and 2004, he took different positions at the Headquarters of Albaraka Türk Participation Bankası and acted as a Branch Manager between 2008 and 2019. As of 25 March 2022, Mr. Başbüyük was appointed as a Member of the Board of Directors at Ziraat Katılım and also has been acting as member of the Credit Committee and Corporate Governance Committee.

**Mahmut Esfa Emek** – *Member of the Board*

Mr. Mahmut Esfa Emek was born in Erzurum in 1965. He graduated from Ankara University Faculty of Economics and Administrative Sciences Department of Business Administration in 1985. He started his career as Assistant Inspector at İmar Bankası in 1988. Between 1990 and 2017, he worked as Inspector, Chairman of the Inspector Board, Department Manager, Senior Department Manager and Vice President in Charge of Operations and Credits at Albaraka Türk Participation Bankası. He worked as the Member of the Board and CEO of a private company. Mr. Emek was the CEO of Birleşik Fon Bankası between 2017

and 2019. Since 21 March 2021, he is a Member of the Board of Directors of Ziraat Katilim and also serving as Member of the Audit Committee, Remuneration Committee and Alternate Member of the Credit Committee.

**Dr. Murat Cangül – Member of the Board**

Dr. Murat Cangül was born in Balıkesir. He graduated from the Faculty of Law of Ankara University. He obtained his master's degree in Labour Economics and Industrial Relations from Gazi University and his PhD in Commercial Law from Selçuk University. He began his career at the Municipalities Labour Union as a research specialist. He worked as a lawyer and manager at various non-governmental organizations, and he served on the board of Halk Bank between 2016 and 2019. He was also a board member at the Social Security Institution between 2018 and 2020. Dr. Cangül served as an advisor to Halk Bank and Halk Hayat Emeklilik in 2019 and 2020. He has been a senior manager in various business organisations in 2022 and 2023. He has also been teaching at the Medipol University in the Faculty of Law since September 2022. Since 3 August 2023, Dr. Cangül has been a Member of the Board of Directors of Ziraat Katilim and is also serving as a Member of the Remuneration Committee.

The business address of each of the Directors listed above is Hobyar Eminönü Mah. Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih/İstanbul, Republic of Türkiye.

There are no actual or potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to Ziraat Katilim.

***Audit Committee***

There are currently two members of the Audit Committee:

- Fikretin Aksu (Vice Chairman of the Board and Member of the Board); and
- Mahmut Esfa Emek (Member of the Board).

The Audit Committee took 35 decisions in 13 meetings held in 2022.

***Credit Committee***

There are currently three members of the Credit Committee:

- Metin Özdemir (Chairman of the Credit Committee, Member of the Board, and CEO);
- Ahmet Buçukoğlu (Member of the Board); and
- Mehmet Başbüyük (Member of the Board).

There are two alternate members of the Credit Committee:

- Fikretin Aksu (Vice Chairman of the Board and Member of the Board); and
- Mahmut Esfa Emek (Member of the Board).

The Credit Committee took 408 decisions in 20 meetings held in 2022.

***Remuneration Committee***

There are currently two members of the Remuneration Committee:

- Ahmet Buçukoğlu (Member of the Board); and
- Dr. Murat Cangül (Member of the Board).

The Remuneration Committee took 1 decision in 1 meeting held in 2022.

### ***Corporate Governance Committee***

There are currently two members of the Corporate Governance Committee:

- Fikretin Aksu (Vice Chairman of the Board, Member of the Board and Chairman of the Corporate Governance Committee); and
- Mehmet Başbüyük (Member of the Board).

The Corporate Governance Committee took one decision in one meeting held in 2022.

### ***Assistant General Managers***

There are currently five assistant general managers:

- Mehmet Said Gül - Information Technologies and Operational Processes;
- Osman Karakütük - Treasury Management and International Banking;
- Önder Kirman - Loan Allocation and Management;
- Ertuğrul İspaha - Corporate Banking; and
- Seher Elif Ekici - Credit Policies and Risk Liquidation.

#### ***Mehmet Said Gül – Assistant General Manager, Information Technologies and Operational Processes***

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

#### ***Osman Karakütük – Assistant General Manager, Treasury Management and International Banking***

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

#### ***Önder Kirman - Assistant General Manager, Loan Allocation and Management***

Mr. Önder Kirman was born in Afyonkarahisar in 1972. He graduated from Dokuz Eylül University Faculty of Economics and Administrative Sciences Department of Business Administration. Mr. Kirman started his banking career as a Service Attendant at Ziraat Bank in 1999. Between 2001 and 2008, he worked as an Internal Controller. Between 2008 and 2015, Mr. Kirman acted as a Supervisor of Agricultural, SME and Commercial Marketing, Commercial Marketing Department Manager and Regional Credit Extension Manager. He joined Ziraat Katılım in May 2015 as the Chairman of the Operation Center Department, then he was appointed as the Chairman of Corporate and Entrepreneurial Credit Extension and Management Department in April 2016. Since 30 June 2016, he serves as Executive Vice President- Credit Extension and Management.

**Ertuğrul İspaha** - *Assistant General Manager, Corporate Banking*

Mr. Ertuğrul İspaha was born in Adana in 1968. He graduated from Ankara University Faculty of Political Sciences Department of Labor Economics and Industrial Relations in 1991. He started his career at Egebank in 1995 as an Inspector. Between 2001 and 2006 he was Branch Manager of Adana and Bursa branches of Family Finans Kurumu A.Ş. In 2006, Mr. İspaha joined Ziraat family as Corporate Branch Manager in İzmir. Afterwards he acted as Regional Director of İzmir 1st Region, Executive Vice President responsible for Financial Analysis- Intelligence, Credit Monitoring and Follow-up Gaziantep, Adana 2, Adana 1 and Adana Regional Manager, respectively. Since 1 April 2022 he has been the Executive Vice President- Corporate Banking of Ziraat Katılım.

**Seher Elif Ekici** - *Assistant General Manager, Credit Policies and Risk Liquidation*

Ms. Seher Elif Ekici was born in Istanbul in 1981. She graduated from Marmara University Faculty of Business Administration, Department of Business Administration in English. She completed her associate degree at Anadolu University Faculty of Theology and is currently studying for her master's degree on Islamic Economics and Finance at Marmara University. She received her SMMM license in 2009. She started her professional career at KPMG independent audit firm in 2003 and worked as an auditor in 2003-2004. Later, she started her banking career in 2005 at Anadolu Finans Kurumu Financial Control service under Financial Affairs Department. She took a role in the merger of Anadolu Finans and Family Finans. Between 2007 and 2015 she acted as Specialist, Supervisor and Manager at Risk Management Center Department of Türkiye Finans. Ms. Ekici started to work at Ziraat Bank as a Manager on 3 February 2015. She was a part of the establishment of Ziraat Katılım and was appointed as Head of Risk Management Division on 23 June 2015. She was appointed as the Head of Credit Policies and Risk Liquidation Group on 2 July 2021. She has been working as Executive Vice President for Credit Policies and Risk Liquidation since 1 April 2022.

## FINANCIAL REVIEW

Unless otherwise indicated, the information set forth below has been extracted from Ziraat Katilim's Financial Statements (as defined in "*Presentation of consolidated financial and certain other information*"). The financial information presented below should be read in conjunction with such financial statements, the auditor's reports therein, as applicable, and the notes thereto. This disclosure contains forward looking statements that involve risks and uncertainties. Ziraat Katilim's actual results could differ materially from those anticipated in these forward looking statements as a result of various factors, including those discussed below and elsewhere in this Prospectus, particularly under the headings "*Cautionary Statement Regarding Forward Looking Statements*" and "*Risk Factors*". The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

### Significant Factors Affecting Results of Operations

#### *Türkiye's Economic Condition*

Ziraat Katilim operates primarily in Türkiye. Accordingly, its results of operations and financial condition are and will continue to be significantly affected by economic factors relating to Türkiye including the economic growth rate, the rate of inflation and fluctuations in exchange rates and interest rates.

The following table sets forth key indicators in respect of Türkiye for the periods presented.

	As of or for the three months ended 31 March	As of or for the year ended 31 December		
	2023	2022	2021	2020
Nominal GDP at current prices (TRY millions).....	4,631,792	15,006,574	7,248,789	5,048,220
Real GDP growth in Turkish Lira .....	4.0 per cent.	5.6 per cent.	11.4 per cent.	1.9 per cent.
(Deficit) / surplus of consolidated budget / GDP <sup>(1)</sup> .....	(2.6) per cent.	(0.9) per cent.	(2.7) per cent.	(3.4) per cent.
CPI <sup>(2)</sup> .....	50.5 per cent.	64.3 per cent.	36.1 per cent.	14.6 per cent.
Turkish Central Bank overnight Turkish Lira borrowing interest rate, period-end.....	6.5 per cent.	7.5 per cent.	12.50 per cent.	15.50 per cent.
Turkish Central Bank one-week Turkish Lira repo rate / policy rate, period- end <sup>(3)</sup> .....	8.5 per cent.	9.0 per cent.	14.00 per cent.	17.00 per cent.
Refinancing rate of the Turkish Central Bank, period-end .....	10.0 per cent.	10.5 per cent.	15.50 per cent.	18.50 per cent.
Depreciation of Turkish Lira against the U.S. dollar <sup>(4)</sup> .....	(2.43) per cent.	(28.71) per cent.	(44.37) per cent.	(19.89) per cent.

Sources: TurkStat (for nominal GDP at current prices, real GDP growth and inflation), Turkish Treasury, General Directorate of Public Accounts (for deficit/surplus of consolidated budget) and Central Bank (for reference overnight borrowing interest rate, refinancing rate, and nominal appreciation (depreciation) of the Turkish Lira against the U.S. dollar).

<sup>(1)</sup> This figure is the sum of the budget deficit as of each month-end date for the 12-month period over the sum of the GDP amounts as of each quarter-end date for the four consecutive quarters ended on the last day of the applicable period.

<sup>(2)</sup> Annual percentage change of the applicable index.

<sup>(3)</sup> The Central Bank announces the weekly repo lending rate as the reference rate.

<sup>(4)</sup> Based upon the Turkish Lira indicative exchange rate for purchases of U.S. dollars announced by the Central Bank effective as of the last day of the period.

Since the beginning of 2020, economic conditions across emerging markets, including Türkiye, have been volatile as a result of several factors, including expectations regarding slower growth in China, the trade dispute between the U.S. and China, the expectation of (and actual) policy rate changes by the U.S. Federal Reserve, the strengthening of the U.S. dollar, the impact of the COVID-19 pandemic, the depreciation of the Turkish Lira, inflationary pressures starting in 2021 and then, in 2022, policy rate increases (and the expectation of further rate increases) and other tightening by the U.S. Federal Reserve and other central banks and the Russian invasion of Ukraine. In addition, there has been considerable uncertainty regarding Türkiye's political and geopolitical conditions resulting from a variety of factors (see "Risk Factors - Risks Relating to Türkiye"), including changes in the governance and/or policies of the Central Bank.

Partially as a result of these factors, GDP growth in Türkiye has been volatile since the beginning of 2020, which has impacted the Bank's growth and increased non-performing loans. In the first three months of 2020, GDP increased by 4.5 per cent. compared to the same period of the previous year; however, GDP sharply decreased by 10.3 per cent. in the second quarter of the year driven by the impact of the COVID-

19 pandemic. GDP then returned to growth in the third and fourth quarters of 2020, increasing by 6.3 per cent. and 5.9 per cent. compared to the same periods of the previous year, which growth was supported by an increase in investments and household consumption. As a result, including due to the continuing impact of COVID-19 both on Türkiye and globally, overall GDP growth for 2020 was only 1.8 per cent.. In 2021, growth increased to 11.4 per cent., principally driven by an increase in household consumption and strong contributions from the services and information and technology sectors. In 2022, GDP grew by 5.6 per cent., which growth was primarily supported by private consumption, a rise in imports and an increase in finance and insurance activities and information and communication activities. Growth in 2023 is expected by the Bank's management to be in line with the government's Medium Term Programme, including the expectation of a slowdown in the second half of 2023; however, the level of recovery remains dependent upon global macroeconomic and geopolitical conditions and the successful implementation of Türkiye's economic policies.

It should be noted that though the Turkish Lira GDP results in nominal Turkish Lira terms are high, as the exchange rate of the Turkish Lira against the U.S. dollar varies (in some years, significantly), these reported changes in GDP would have been different (in some years, significantly different) were they determined in U.S. dollar terms (e.g., in 2022, the Turkish Lira (using daily average exchange rates) depreciated by 28.71 per cent. against the U.S. dollar, which greatly exceeded the year's nominal GDP increase, resulting in a significant decline in the Turkish GDP in U.S. dollar terms notwithstanding the significant increase in Turkish Lira terms).

In 2020 the annual CPI inflation rate was 14.6 per cent. and domestic producer price inflation was 25.2 per cent., reflecting primarily an increase in food, energy and commodity prices (including due to the depreciation of the Turkish Lira). In 2021, the CPI inflation rate surged to 36.1 per cent., reflecting primarily an increase in the prices of food, energy, consumer durables and transportation, which increases resulted from the depreciation of the Turkish Lira, the impact of disruptions in supply chains, the rise in government-administered prices and the reopening of the Turkish economy from COVID-19-related restrictions. In 2022, the CPI inflation rate was 64.3 per cent. and the domestic producer price inflation rate was 97.7 per cent. (it should be noted that this is the official inflation rate whereas other analysts have published different rates, in some cases significantly higher than the official rate), again reflecting significant increases in the prices of food, energy and imported products. On 4 May 2023, the Central Bank published an inflation report indicating an inflation forecast of 22.3 per cent., 8.8 per cent. and 5.0 per cent. at the end of 2023, 2024 and 2025, respectively.

Although the EU-defined Turkish government debt level decreased considerably since 2001 and reached its lowest level with 27.3 per cent. of GDP in 2015, it then increased to 31.7 per cent. in 2022, and (although this remains well below the Maastricht criteria), Türkiye remains an emerging market and remains susceptible to a higher degree of volatility than more developed markets due to a number of factors.

### **Ziraat Katılım's Significant Accounting Policies**

The accounting policies adopted by Ziraat Katılım are critical to understanding its results of operations and Financial Statements forming part of this Prospectus. These accounting policies are described in detail in Ziraat Katılım's Financial Statements.

The Financial Statements of Ziraat Katılım are prepared within the scope of the Regulation on Accounting Applications for Banks and Safeguarding of Documents related to the Banking Law and other regulations related to reporting principles on accounting records of banks published by the BRSA and circulars and interpretations published by the BRSA and in cases where there are no specific regulations issued by the BRSA, TAS 34 and TFRS (together, the "**Reporting Standards**") put into effect by the POA.

The format and content of Ziraat Katılım's Financial Statements (including the notes thereto) have been prepared in accordance with the Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements, published in the Official Gazette No. 28337, dated 28 June 2012 and the Communiqué on Public Disclosures regarding Risk Management of Banks, published in the Official Gazette No. 29511, dated 23 October 2015 (the "**Public Disclosures Communiqué**") and amendments to the aforementioned Communiqués.

Ziraat Katılım maintains its books in Turkish Lira in accordance with the Banking Law, the Turkish Commercial Code and Turkish tax legislation. Unless otherwise stated on the basis of historical cost, all

balances in the Financial Statements are presented in thousands of Turkish lira, except for the financial assets and liabilities shown at their fair values on the basis of historical cost.

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

The reform of benchmark profit rates ("**Benchmark Profit Rate Reform**"), which brought changes to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 and was published effective from 1 January 2022 (as amended), provided for certain exceptions in the basis used in determining the contractual cash flows and in the hedge accounting provisions. Ziraat Katılım has participated in international protocols within the scope of the Benchmark Profit Rate Reform. As of the date of this Prospectus, the Benchmark Profit Rate Reform process continues, and Ziraat Katılım continues to work within the scope of adaptation to the changes.

On 20 January 2022, the POA made a statement on the Application of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards in which it stated that companies applying TFRS do not need to make any adjustments in their financial statements for 2021 to reflect TAS 29. As of 30 June 2023, no new announcement has been made by the POA in this context, and no inflation adjustment has been made to reflect TAS 29 while preparing the 2023 Half-Year Financial Statements.

The following is a brief description of Ziraat Katılım's current accounting policies which require significant managerial judgment or otherwise are critical to the results of operations and financial condition presented in the Audited Annual Financial Statements.

#### ***Financial assets and liabilities***

##### **Recognition and Derecognition**

Ziraat Katılım's financial assets are recognised or derecognised according to TFRS 9 Financial Instruments Part Three Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the Financial Statements. During the initial recognition of financial assets other than 'Financial Assets at Fair Value Through Profit or Loss', transaction costs are added to fair value or deducted from fair value; they are included in the balance sheet of Ziraat Katılım if Ziraat Katılım is a legal party to these instruments.

Ziraat Katılım classifies its financial assets as 'Fair Value Through Profit/Loss', 'Fair Value Through Other Comprehensive Income' or 'Measured at Amortised 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. Financial assets broadly constitute the commercial activities and operations of Ziraat Katılım; these instruments have the feature of revealing, influencing and reducing the liquidity and credit risk in the Financial Statements.

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by a 'Business Model Assessment' and 'Contractual Cash Properties Test' performed to determine the classification of financial assets.

##### **Amortised cost measurement**

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

### **Designation at fair value through profit or loss**

Fair value through profit or loss are financial assets that are: managed by a business model other than the business model that aims to 'hold to collect' and 'hold & sell' the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through profit or loss are initially recognised at fair value and remeasured at their fair value after recognition. Gains and losses resulting from the valuation are included in the profit/loss accounts.

### ***Loans***

Loans consist of financial assets created by providing goods or services to the borrower. The first recording of the loans is made with their cost values and after they are recorded and are measured with their amortised values using the internal rate of return method.

Cash loans are accounted according to their original balances and according to type, maturity and collateral structures. Foreign currency loans are recorded at a fixed price and are evaluated with Ziraat Katilim's counter foreign exchange buying rate. The repayments of the foreign currency indexed loans, which were used in TRY over Ziraat Katilim's counter foreign exchange buying rate valid on the date of use, are collected in TRY equivalents calculated over Ziraat Katilim's counter foreign exchange sales rate valid on the installment collection date.

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

Financial assets are classified as fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and sell the assets and the terms of the financial asset give rise to cash flows that are solely payments of principal of interest at certain dates. Financial assets at fair value through other comprehensive income are recognised 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 the internal rate of return method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded in the income statement. Unrealised gains and losses arising from the difference between the amortised 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 (as the case may be) and are accounted under the 'Accumulated other comprehensive income or expense to be reclassified through profit or loss' under shareholders' equity.

### ***Leased assets***

Ziraat Katilim applies the TFRS 16 - Leases standard in the accounting of leasing transactions. At the date of the effective leasing of the lease, Ziraat Katilim 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, Ziraat Katilim uses Ziraat Katilim's alternative borrowing rate. Lease payments that are included in the measurement of the lease liability at the date the lease is commenced consist of the unpaid payments to be made for the right of use during the lease term of the underlying asset and the date on which the lease has actually begun. After the effective date of the lease, Ziraat Katilim measures the leasing liability through: increases in the book value to reflect the rate of profit in the lease obligation; decreases in the book value to reflect the rent payments made; and reassessment of the book value to reflect re-evaluations and reconstructions, or to reflect the lease payments that are fixed on the revised basis. The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation.

### **Tangible Assets**

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

Ordinary maintenance and repair expenses incurred for tangible assets items are recognised as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalised. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs. The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period. There are no mortgages, pledges or similar precautionary measures on tangible assets or commitments given for the purchase or any restrictions designated for the use of those tangible assets.

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

Contingent assets typically 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 recognised in the Financial Statements since this may result in the recognition of income that may never be realised. 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 Ziraat Katilim's financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in Ziraat Katilim's financial statements in which the change occurs.

### *Consolidated Income Statement*

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
<b>INCOME / EXPENSE ITEMS</b>				
			TRY (thousands)	
<b>I. PROFIT SHARE INCOME</b>	<b>14,855,460</b>	<b>8,587,342</b>	<b>20,231,260</b>	<b>6,259,916</b>
Profit Share on Loans	9,668,145	5,147,025	13,852,733	4,717,524
Profit Share on Reserve Deposits	-	58,519	57,944	160,424
Profit Share on Banks	168,361	59,845	177,405	3,070
Profit Share on Money Market Placements	-	-	-	-
Profit Share on Marketable Securities Portfolio	2,619,406	2,808,436	4,848,469	801,333
Financial Assets Measured at Fair Value Through Profit/Loss	31,316	20,745	43,356	21,628
Financial Assets Measured at Fair Value Through Other				
Comprehensive Income	2,089,859	2,711,543	4,557,941	685,240
Financial Assets Measured at Amortised Cost	498,231	76,148	247,172	94,465
Financial Lease Income	2,365,292	499,398	1,257,347	553,946
Other Profit Share Income	34,256	14,119	37,362	23,619
<b>II. PROFIT SHARE EXPENSE</b>	<b>12,333,509</b>	<b>4,401,721</b>	<b>12,488,773</b>	<b>4,745,377</b>
Expense on Profit Sharing Accounts	11,022,750	3,447,323	10,604,501	3,234,156
Profit Share Expense on Funds Borrowed	519,262	258,562	539,926	296,481
Profit Share Expense on Money Market Borrowings	175,066	315,288	431,205	570,506
Expense on Securities Issued	572,851	349,518	851,132	609,763
Lease Profit Share Expense	41,350	22,239	52,128	30,475

INCOME / EXPENSE ITEMS	30 June 2023	30 June 2022	31 December 2022	31 December 2021
	TRY (thousands)			
Other Profit Share Expenses.....	2,230	8,791	9,881	3,996
<b>III. NET PROFIT SHARE INCOME (I - II) .....</b>	<b>2,521,951</b>	<b>4,185,621</b>	<b>7,742,487</b>	<b>1,514,539</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>	<b>581,228</b>	<b>143,200</b>	<b>245,945</b>	<b>147,334</b>
Fees and Commissions Received .....	711,479	210,746	524,704	232,252
Non-cash Loans.....	211,539	129,451	292,805	156,942
Other .....	499,940	81,295	231,899	75,310
Fees and commissions paid .....	130,251	67,546	278,759	84,918
Non-cash Loans.....	-	-	-	-
Other .....	130,251	67,546	278,759	84,918
<b>V. DIVIDEND INCOME .....</b>	<b>-</b>	<b>774</b>	<b>774</b>	<b>-</b>
<b>VI. NET TRADING INCOME .....</b>	<b>1,116,557</b>	<b>43,417</b>	<b>1,214,691</b>	<b>214,813</b>
Capital Market Transaction Gains / Losses .....	(13,452)	(649)	909,591	1,026
Gains/ Losses From Derivative Financial Instruments .....	122,815	50,959	144,979	(65,861)
Foreign Exchange Gains / Losses.....	1,007,194	(6,893)	160,121	279,648
<b>VII. OTHER OPERATING INCOME .....</b>	<b>1,528,017</b>	<b>481,951</b>	<b>876,254</b>	<b>551,638</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII) ..</b>	<b>5,747,753</b>	<b>4,854,963</b>	<b>10,080,151</b>	<b>2,428,324</b>
<b>IX. EXPECTED CREDIT LOSSES (-).....</b>	<b>1,626,622</b>	<b>820,018</b>	<b>1,869,894</b>	<b>958,562</b>
<b>X. OTHER PROVISIONS (-).....</b>	<b>41,052</b>	<b>418,674</b>	<b>1,061,736</b>	<b>30,041</b>
<b>XI. PERSONNEL EXPENSES (-).....</b>	<b>967,085</b>	<b>318,499</b>	<b>798,367</b>	<b>317,383</b>
<b>XII. OTHER OPERATING EXPENSES (-) .....</b>	<b>1,749,500</b>	<b>325,638</b>	<b>886,388</b>	<b>392,167</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI- XII).....</b>	<b>1,363,494</b>	<b>2,972,134</b>	<b>5,463,766</b>	<b>730,171</b>
<b>XIV. INCOME RESULTED FROM MERGERS.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV).....</b>	<b>1,363,494</b>	<b>2,972,134</b>	<b>5,463,766</b>	<b>730,171</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±).....</b>	<b>(204,900)</b>	<b>(860,553)</b>	<b>(1,623,494)</b>	<b>(171,482)</b>
Current Tax Provision .....	-	(1,207,974)	(2,911,395)	(373,740)
Expense Effect of Deferred Tax (+) .....	(720,734)	(16,572)	(9,407)	(78,530)
Income Effect of Deferred Tax (-).....	515,834	363,993	1,297,308	280,788
<b>XIX. NET OPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII).....</b>	<b>1,158,594</b>	<b>2,111,581</b>	<b>3,840,272</b>	<b>558,689</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Income from Assets Held for Sale.....	-	-	-	-
Profit from Sales of Associates, Subsidiaries and Joint Ventures ..	-	-	-	-
Income from Other Discontinued Operations.....	-	-	-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Expenses on Assets Held for Sale .....	-	-	-	-
Loss from Sales of Associates, Subsidiaries and Joint Ventures ..	-	-	-	-
Expenses from Other Discontinued Operations.....	-	-	-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Current Tax Charge.....	-	-	-	-
Expense Effect of Deferred Tax (+) .....	-	-	-	-
Income Effect of Deferred Tax (-).....	-	-	-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XVIII+XXIII) .....</b>	<b>1,158,594</b>	<b>2,111,581</b>	<b>3,840,272</b>	<b>558,689</b>
Earnings per share income/loss (Full TRY).....	0,2335	1,0234	1,6279	0,3193

The following table sets forth information on profit share received from loans for Ziraat Katilim for the six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December 2022 and 31 December 2021.

	30 June 2023		30 June 2022		31 December 2022		31 December 2021	
	TRY (thousand)							
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Profit share on loans <sup>(*)</sup> .....	7,554,268	2,113,877	4,383,648	763,377	11,844,448	2,008,285	3,912,737	804,787
Short term loans.....	4,420,990	1,256,899	1,893,246	162,080	6,042,992	750,115	1,109,447	124,627
Medium and long term loans .	3,103,111	856,978	2,453,293	601,297	5,734,297	1,258,170	2,743,086	667,619
Profit share on non-								
performing loans.....	30,167	-	37,109	-	67,159	-	60,204	12,541
Premiums received from								
resource utilization support								
fund .....	-	-	-	-	-	-	-	-

(\*) Includes fees and commissions income on cash loans.

The following table sets forth information on profit share income from securities portfolio for Ziraat Katilim for the six months ended 30 June 2023 and 30 June 2022 and the years ended 31 December 2022 and 31 December 2021.

	30 June 2023		30 June 2022		31 December 2022		31 December 2021	
	TRY	FC	TRY	FC	TRY (thousand)	FC	TRY	FC
Financial Assets at Fair Value through Profit and Loss .....	-	31,316	-	20,745	-	43,356	2,605	19,023
Financial Assets at Fair Value through Other Comprehensive Income ....	1,976,994	112,865	2,626,220	85,323	4,385,549	172,392	622,760	62,480
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost .....	286,067	212,164	4,588	71,560	82,317	164,855	-	94,465
<b>Total .....</b>	<b>2,263,061</b>	<b>356,345</b>	<b>2,630,808</b>	<b>177,628</b>	<b>4,467,866</b>	<b>380,603</b>	<b>625,365</b>	<b>175,968</b>

### **Total Operating Profit**

Ziraat Katilim derives most of its revenue through returns on the loans it grants to its customers. Its most significant expenses of a recurring nature are expenses incurred in servicing its current and participation deposit accounts and personnel costs.

Ziraat Katilim's total operating profit increased by 18.39 per cent. from TRY 4,854.96 million for the six months ended 30 June 2022 to TRY 5,747.75 million for the six months ended 30 June 2023. Each of these line items is set out in further detail below.

Ziraat Katilim's total operating profit increased 315.11 per cent. from TRY 2,428.32 million for the year ended 31 December 2021 to TRY 10,080.15 million for the year ended 31 December 2022. Each of these line items is set out in further detail below.

### **Net Profit Share Income**

Ziraat Katilim's profit share income is largely derived from income on loans, which accounted for 65.08 per cent. of total profit share income for the six months ended 30 June 2023, 59.94 per cent. for the six months ended 30 June 2022, 68.47 per cent. for the year ended 31 December 2022 and 75.36 per cent. for the year ended 31 December 2021.

Net profit share income was TRY 2,521.95 million for the six months ended 30 June 2023, a decrease of 39.75 per cent. for the period compared to TRY 4,185.62 million for the six months ended 30 June 2022; this decrease was due to gradual rate hikes in the deposit base. Profit share income was TRY 7,742.49 million for the year ended 31 December 2022, an increase of 411.21 per cent. for the period compared to TRY 1,514.54 million for the year ended 31 December 2021 due to fast growth in Ziraat Katilim's loan book.

Profit share on marketable securities portfolio decreased by 6.73 per cent. from TRY 2,808.44 million for the six months ended 30 June 2022 to TRY 2,619.41 million for the six months ended 30 June 2023 due to the market-to-market valuation of the inflation-indexed securities. Profit share on marketable securities portfolio increased 505.05 per cent. from TRY 801.33 million for the year ended 31 December 2021 to TRY 4,848.46 million for the year ended 31 December 2022 due to revenue generated from the inflation-indexed securities.

Financial lease revenue comprised 16 per cent. of the total profit share income for the six months ended 30 June 2023, an increase of 373.63 per cent. from TRY 499.40 million for the six months ended 30 June 2022. Financial lease revenue comprised 6.21 per cent. of the profit share income for the year ended 31 December 2022, increasing by 126.98 per cent. from TRY 553.95 million for the year ended 31 December 2021 to TRY 1,257.35 million for the year ended 31 December 2022, primarily driven by a significant increase in the overall leasing volume of Ziraat Katilim.

### ***Net Fees and Commissions Income/Expense***

For the six months ended 30 June 2023, Ziraat Katilim's net fee and commission income reached TRY 581.3 million, compared to TRY 143.2 million for the six months ended 30 June 2022 due to an increase in the number of clients and transaction volume. For the year ended 31 December 2022, Ziraat Katilim's net fee and commission income reached TRY 245.95 million increasing by 66.93 per cent from TRY 147.33 million for the year ended 31 December 2021.

For the six months ended 30 June 2023, Ziraat Katilim's fee and commission derived from commissions from non-cash loans income increased by 63.41 per cent. from TRY 129.45 million to TRY 211.53 million for the six months ended 30 June 2022. For the year ended 31 December 2022, 46.9 per cent. of Ziraat Katilim's net fee and commission income derived from commissions from non-cash loans. Ziraat Katilim's fee and commission derived from commissions from non-cash loans income increased by 125.92 per cent. during the period from TRY 232.25 million for the year ended 31 December 2021 to TRY 524.70 million for the year ended 31 December 2022, primarily driven by an increase in the volume of non-cash transactions.

85.72 per cent. of net fee and commission income comprises other fee and commission for the six months ended 30 June 2023 and 94.29 per cent. for the year ended 31 December 2022.

Incentive and cross-selling activities has resulted in a substantial increase in other fees and commission income. Other fee and commission income increased by 515.01 per cent. to TRY 499.94 million for the six months ended 30 June 2023 from TRY 81.29 million for the six months ended 30 June 2022. Other fee and commission income increased by 207.93 per cent. from TRY 75.31 million for the year ended 31 December 2021 to TRY 231.9 million for the year ended 31 December 2022. The majority part of the other fee and commission expenses comprises appraisal revenue, insurance commission and Point of Sale ("POS") commissions.

### ***Other Operating Income***

Ziraat Katilim's other operating income constituted 11.32 per cent. of the net profit share income for the year ended 31 December 2022 and 60.59 per cent. for the six months ended 30 June 2023. Ziraat Katilim's total other operating income has considerably increased by 58.85 per cent. from TRY 551.64 million for the year ended 31 December 2021 to TRY 876.25 million for the year ended 31 December 2022. Ziraat Katilim's total other operating income further increased by 217.05 per cent. to TRY 1,528.01 million for the six months ended 30 June 2023 from TRY 481.95 million for the six months ended 30 June 2022 primarily caused by amendment of the provisions pertaining to previous years.

### ***Total Operating Expenses***

Ziraat Katilim's other operating expenses increased by 437.25 per cent. from TRY 325.64 million for the six months ended 30 June 2022 to TRY 1,749.5 million for the six months ended 30 June 2023 due to a substantial earthquake-related donation and increased by 126.02 per cent. from TRY 392.17 million for the year ended 31 December 2021 to TRY 886.38 million for the year ended 31 December 2022.

The major cost item among the other operating expenses for the year ended 31 December 2022 is attributed to depreciation expenses of tangible fixed assets, which increased from TRY 60.80 million for the year ended 31 December 2021 to TRY 103.53 million for the year ended 31 December 2022. The biggest cost item among other operating expenses for the year ended 31 December 2022 went to other expenses, which comprised 55.01 per cent. and stood at TRY 487.64 million.

Administrative expenses and other expenses for the six months ended 30 June 2023 and 30 June 2022 and for the year ended 31 December 2022 and 31 December 2021 are set out below:

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
		TRY (thousands)		
Reserve for Employee Termination Benefits.....	23,256	6,376	12,752	7,447
Bank Social Aid Provision Fund Deficit Provision	-	-	-	-
Impairment Expenses of Tangible Assets.....	-	-	-	-
Depreciation Expenses of Tangible Fixed Assets...	111,303	42,866	103,533	60,799
Impairment Expenses of Intangible Assets.....	-	-	-	-

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
			TRY (thousands)	
Goodwill Impairment Expense .....	-	-	-	-
Amortization Expenses of Intangible Assets .....	20,028	12,233	27,132	17,926
Impairment Expense of Equity Participations for which Equity Method is Applied .....	-	-	-	-
Impairment Expenses of Assets Held for Sale .....	-	-	-	-
Depreciation Expenses of Assets Held for Sale .....	-	-	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations .....	-	-	-	-
Other Operating Expenses .....	330,179	160,036	487,643	178,182
Leasing Expenses Related to TFRS 16				
Exceptions .....	1,172	763	1,410	1,184
Maintenance Expenses .....	55,695	15,037	56,850	23,383
Advertisement Expenses .....	67,522	27,925	82,905	54,501
Other Expenses .....	205,790	116,311	346,478	99,114
Loss on Sales of Assets .....	-	144	286	391
Other (*) .....	1,264,734	103,983	255,042	127,422
<b>Total .....</b>	<b>1,749,500</b>	<b>325,638</b>	<b>886,388</b>	<b>392,167</b>

(\*) The balance which forms the other item part, TRY 86,533 (TRY thousands) (for the year ended 31 December 2021: TRY 68,457 (TRY thousands)), Saving Deposit Insurance Fund premium and audit and consultancy service expenses, while TRY 88,093 (TRY thousands) (for the year ended 31 December 2021: TRY 35,626 (TRY thousands)) consists of taxes, fees and funds and other service expenses.

Personnel expenses increased by 203.64 per cent. to TRY 967.08 million for the six months ended 30 June 2023 from TRY 318.49 million for the six months ended 30 June 2022. Personnel expenses increased by 151.55 per cent. from TRY 317.38 million for the year ended 31 December 2021 to TRY 798.37 million for the year ended 31 December 2022. This increase was due to the growth in the number of staff at Ziraat Katilim (in line with Ziraat Katilim's overall growth strategy). The reserve for employee termination benefits also increased by 71.24 per cent. from TRY 7.45 million to TRY 12.75 million and by 264.74 per cent. to TRY 23.25 million for the six months ended 30 June 2023 from TRY 6.38 million for the six months ended 30 June 2022.

The other operational expenses for the six months ended 30 June 2023 comprised TRY 67.52 million of advertisement expenses (compared to TRY 27.93 million as at 30 June 2022), TRY 55.69 million of maintenance expenses (compared to TRY 15.03 million for the six months ended 30 June 2022) and TRY 205.79 million of other expenses (compared to TRY 116.31 million for the six months 30 June 2022). The aforementioned increases in other operational expenses are due to the current inflationary environment.

The other operational expenses for the year ended 31 December 2022 also comprised TRY 82.91 million of advertisement expenses (compared to TRY 54.50 million for the year ended 31 December 2021), TRY 56.85 million of maintenance expenses (compared to TRY 23.38 million for the year ended 31 December 2021) and TRY 346.48 million other expenses (compared to TRY 99.11 million for the year ended 31 December 2021). The aforementioned increases in other operational expenses are primarily due to a growth in the balance sheet size.

### **Impairments**

Mainly due to low base effect from the previous years, and aging of the NPL portfolio, the impairment loss increased by 95 per cent. year on year in 2022. The 12 months expected credit expense of TRY 1,869.89 million has the largest share in impairment loss which was 821.53 million as at 31 December 2022.

Provision expenses for impairment on loans and other receivables for the six months ended 30 June 2023 and 30 June 2022 and the years ended 31 December 2022 and 31 December 2021 is shown in the table below:

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
			TRY (thousand)	
Expected Credit Loss .....	1,626,622	820,018	1,869,894	958,562
12 month expected credit loss (Stage 1) .....	914,664	389,131	821,530	192,329
Significant increase in credit risk (Stage 2) .....	354,259	112,672	471,526	168,067
Non-performing loans (Stage 3) .....	357,699	318,215	576,838	598,166

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
			TRY (thousand)	
Marketable Securities Impairment Expense .....	-	-	-	-
Financial Assets at Fair Value through Profit or Loss .....	-	-	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income.....	-	-	-	-
Subsidiaries, Associates and Entities Under Common Control Impairment Provision.....	-	-	-	-
Associates.....	-	-	-	-
Subsidiaries .....	-	-	-	-
Entities Under Common Control (Joint Ventures).....	-	-	-	-
Other (*) .....	41,052	418,674	1,061,736	30,041
<b>Total .....</b>	<b>1,667,674</b>	<b>1,238,692</b>	<b>2,931,630</b>	<b>988,603</b>

(\*) Includes TRY 984,000 free provision expense (as per the audit report in respect of the 2022 Audited Annual Financial Statements).

### Statement of Financial Position

The following tables sets forth the statement of financial position for Ziraat Katilim as at 30 June 2023 and 30 June 2022.

	30 June 2023			30 June 2022		
	TRY (thousand)			TRY (thousand)		
<b>ASSETS</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>
<b>FINANCIAL ASSETS (NET) .....</b>	<b>24,620,403</b>	<b>52,169,551</b>	<b>76,789,954</b>	<b>14,832,362</b>	<b>28,944,396</b>	<b>43,776,758</b>
Cash And Cash Equivalents.....	10,602,112	43,976,117	54,578,229	3,816,218	23,949,979	27,766,197
Cash And Balances With Central Bank .....	5,657,717	34,197,092	39,854,809	3,812,809	15,211,823	19,024,632
Banks.....	4,961,786	9,779,025	14,740,811	9,191	8,738,156	8,747,347
Money Markets Placements.....	-	-	-	-	-	-
Provision for Expected Losses (-).....	17,391	-	17,391	5,782	-	5,782
<b>Financial Assets Measured At Fair Value</b>						
Through Profit/Loss .....	-	3,097,240	3,097,240	1,189	1,889,554	1,890,743
Government Securities.....	-	3,097,240	3,097,240	1,189	1,889,554	1,890,743
Equity Securities.....	-	-	-	-	-	-
Other Financial Assets.....	-	-	-	-	-	-
<b>Financial Assets Measured at Fair Value</b>						
Through Other Comprehensive Income....	13,993,935	5,096,138	19,090,073	11,008,630	3,104,733	14,113,363
Government Securities.....	13,934,000	5,096,138	19,030,138	10,437,303	3,104,733	13,542,036
Equity Securities.....	52,341	-	52,341	11,240	-	11,240
Other Financial Assets.....	7,594	-	7,594	560,087	-	560,087
Derivative Financial Assets .....	24,356	56	24,412	6,325	130	6,455
Derivative Financial Assets Measured at Fair Value Through Profit and Loss .....	24,356	56	24,412	6,325	130	6,455
Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income.....	-	-	-	-	-	-
<b>FINANCIAL ASSETS MEASURED AT</b>						
<b>AMORTIZED COST (NET) .....</b>	<b>143,574,745</b>	<b>81,419,922</b>	<b>224,994,667</b>	<b>67,545,737</b>	<b>38,119,631</b>	<b>105,665,368</b>
Loans .....	103,737,395	69,170,210	172,907,605	62,906,295	29,970,696	92,876,991
Lease Receivables .....	34,820,530	8,788,274	43,608,804	6,078,679	6,398,818	12,477,497
Measured at Amortized Cost .....	8,093,041	3,744,319	11,837,360	154,588	2,217,271	2,371,859
Government Securities.....	8,093,041	3,744,319	11,837,360	154,588	2,217,271	2,217,271
Other Financial Assets.....	-	-	-	-	-	-
Expected Credit Losses (-).....	3,076,221	282,881	3,359,102	1,593,825	467,154	2,060,979
<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS</b>						
(Net) .....	280,729	-	280,729	274,985	-	274,985
Assets Held for Sale .....	280,729	-	280,729	274,985	-	274,985
Assets of Discontinued Operations .....	-	-	-	-	-	-
<b>INVESTMENTS IN ASSOCIATES</b>						
<b>SUBSIDIARIES AND JOINT VENTURES .....</b>	<b>24,000</b>	<b>-</b>	<b>24,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Associates (Net).....	24,000	-	24,000	-	-	-
Associates Consolidated Under Equity						
Accounting .....	-	-	-	-	-	-
Unconsolidated Associates .....	24,000	-	24,000	-	-	-
<b>Subsidiaries (Net).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unconsolidated Financial Investments in Subsidiaries .....	-	-	-	-	-	-
Unconsolidated Non-Financial Investments in Subsidiaries .....	-	-	-	-	-	-
<b>Joint Ventures (Net) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint-Ventures Consolidated Under Equity						
Accounting .....	-	-	-	-	-	-
Unconsolidated Joint-Ventures .....	-	-	-	-	-	-
<b>TANGIBLE ASSETS (NET) .....</b>	<b>1,245,656</b>	<b>1,257</b>	<b>1,246,913</b>	<b>400,121</b>	<b>824</b>	<b>400,945</b>
<b>INTANGIBLE ASSETS (Net).....</b>	<b>476,953</b>	<b>-</b>	<b>476,953</b>	<b>272,574</b>	<b>-</b>	<b>272,574</b>

	30 June 2023			30 June 2022		
	TRY (thousand)					
Goodwill.....	-	-	-	-	-	-
Other .....	476,953	-	476,953	272,574	-	272,574
INVESTMENT PROPERTY (NET) .....	-	-	-	-	-	-
CURRENT TAX ASSET .....	-	-	-	-	-	-
DEFERRED TAX ASSETS .....	1,091,521	-	1,091,521	370,755	-	370,755
OTHER ASSETS .....	658,499	254,866	913,365	769,491	66,705	836,196
<b>TOTAL ASSETS .....</b>	<b>171,972,506</b>	<b>133,845,596</b>	<b>305,818,102</b>	<b>84,466,025</b>	<b>67,131,556</b>	<b>151,597,581</b>

	30 June 2023			30 June 2022		
	TRY (thousand)					
<b>LIABILITIES</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>
FUNDS COLLECTED .....	147,588,074	109,093,511	256,681,585	66,875,697	59,666,121	126,541,818
FUNDS BORROWED .....	390,236	6,344,686	6,734,922	283,829	2,511,726	2,795,555
MONEY MARKETS DEBTS .....	365,007	10,274,532	10,639,539	1,526,938	-	1,526,938
SECURITIES ISSUED (Net) .....	3,613,024	-	3,613,024	3,891,890	-	3,891,890
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	-	-	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	-	1,859	1,859	-	-	-
Derivative Financial Liabilities at Fair Value	-	1,859	1,859	-	-	-
Through Profit or Loss .....	-	-	-	-	-	-
Derivative Financial Liabilities at Fair Value	-	-	-	-	-	-
Through Other Comprehensive Income .....	-	-	-	-	-	-
LEASE PAYABLES .....	491,234	-	491,234	266,196	-	266,196
PROVISIONS .....	1,126,425	925,101	2,051,526	722,805	536,595	1,259,400
Restructuring Provisions .....	-	-	-	-	-	-
Reserve for Employee Benefits .....	184,184	-	184,184	51,105	-	51,105
Insurance Technical Provisions (Net) .....	-	-	-	-	-	-
Other Provisions .....	942,241	925,101	1,867,342	671,700	536,595	1,208,295
CURRENT TAX LIABILITY .....	198,601	174	198,775	717,661	355	718,016
DEFERRED TAX LIABILITY .....	-	-	-	-	-	-
LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) .....	-	-	-	-	-	-
Held for Sale Purpose .....	-	-	-	-	-	-
Related to Discontinued Operations .....	-	-	-	-	-	-
SUBORDINATED DEBT INSTRUMENTS	1,341,480	3,734,514	5,075,994	1,341,237	2,204,391	3,545,628
Loans .....	1,341,480	3,734,514	5,075,994	1,341,237	2,204,391	3,545,628
Other Debt Instruments .....	-	-	-	-	-	-
OTHER LIABILITIES .....	2,139,807	2,477,147	4,616,954	1,734,989	1,149,026	2,884,015
SHAREHOLDERS' EQUITY .....	15,877,222	(164,532)	15,712,690	8,307,004	(138,879)	8,168,125
Paid-in capital .....	7,350,000	-	7,350,000	2,650,000	-	2,650,000
Capital Reserves .....	261,513	-	261,513	261,513	-	261,513
Share Premium .....	-	-	-	-	-	-
Share Cancellation Profits .....	-	-	-	-	-	-
Other Capital Reserve .....	261,513	-	261,513	261,513	-	261,513
Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss .....	(93,224)	-	(93,224)	(6,067)	-	(6,067)
Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss .....	1,062,207	(164,532)	897,675	992,117	(138,879)	853,238
Profit Reserves .....	2,297,860	-	2,297,860	2,297,860	-	2,297,860
Legal Reserves .....	120,251	-	120,251	120,251	-	120,251
Status Reserves .....	-	-	-	-	-	-
Extraordinary Reserves .....	2,131,542	-	2,131,542	2,131,542	-	2,131,542
Other Profit Reserves .....	46,067	-	46,067	46,067	-	46,067
Profit or (Loss) .....	4,998,866	-	4,998,866	2,111,581	-	2,111,581
Prior Period Profit / Loss .....	3,840,272	-	3,840,272	-	-	-
Current Period Profit / Loss .....	1,158,594	-	1,158,594	2,111,581	-	2,111,581
<b>TOTAL LIABILITIES .....</b>	<b>173,131,110</b>	<b>132,686,992</b>	<b>305,818,102</b>	<b>85,668,246</b>	<b>65,929,335</b>	<b>151,597,581</b>

The following tables sets forth the statement of financial position for Ziraat Katilim as at 31 December 2022 and 31 December 2021.

	31 December 2022			31 December 2021		
	TRY (thousand)					
<b>ASSETS</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>
FINANCIAL ASSETS (NET) .....	21,635,778	37,540,469	59,176,247	7,906,952	21,137,037	29,043,989
Cash And Cash Equivalents .....	6,424,337	31,780,105	38,204,442	3,074,376	15,564,971	18,639,347
Cash And Balances With Central Bank .....	6,310,803	18,663,442	24,974,245	3,066,213	12,224,478	15,290,691
Banks .....	134,657	13,116,663	13,251,320	9,647	3,340,493	3,350,140
Money Markets Placements .....	-	-	-	-	-	-
Provision for Expected Losses (-) .....	21,123	-	21,123	1,484	-	1,484
Financial Assets Measured At Fair Value	-	-	-	-	-	-
Through Profit/Loss .....	-	2,133,604	2,133,604	-	1,795,316	1,795,316
Government Securities .....	-	2,133,604	2,133,604	-	1,795,316	1,795,316
Equity Securities .....	-	-	-	-	-	-

	31 December 2022			31 December 2021		
	TRY (thousand)			TRY (thousand)		
ASSETS	TRY	FC	Total	TRY	FC	Total
Other Financial Assets .....	-	-	-	-	-	-
<b>Financial Assets Measured at Fair Value</b>						
<b>Through Other Comprehensive Income .....</b>	<b>15,197,112</b>	<b>3,626,618</b>	<b>18,823,730</b>	<b>4,819,812</b>	<b>3,769,758</b>	<b>8,589,570</b>
Government Securities .....	15,139,990	3,626,618	18,766,608	4,151,159	3,769,758	7,920,917
Equity Securities .....	52,341	-	52,341	10,412	-	10,412
Other Financial Assets .....	4,781	-	4,781	658,241	-	658,241
<b>Derivative Financial Assets .....</b>	<b>14,329</b>	<b>142</b>	<b>14,471</b>	<b>12,764</b>	<b>6,992</b>	<b>19,756</b>
Derivative Financial Assets Measured at Fair Value Through Profit and Loss .....	14,329	142	14,471	12,764	6,992	19,756
Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income .....	-	-	-	-	-	-
<b>FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET) .....</b>	<b>99,369,290</b>	<b>50,812,921</b>	<b>150,182,211</b>	<b>36,662,193</b>	<b>31,065,684</b>	<b>67,727,877</b>
<b>Loans .....</b>	<b>84,712,509</b>	<b>41,627,471</b>	<b>126,339,980</b>	<b>33,940,247</b>	<b>24,648,305</b>	<b>58,588,552</b>
<b>Lease Receivables .....</b>	<b>14,356,192</b>	<b>6,879,132</b>	<b>21,235,324</b>	<b>4,090,120</b>	<b>5,456,144</b>	<b>9,546,264</b>
<b>Measured at Amortized Cost .....</b>	<b>2,715,329</b>	<b>2,608,614</b>	<b>5,323,943</b>	<b>-</b>	<b>1,327,957</b>	<b>1,327,957</b>
Government Securities .....	2,715,329	2,608,614	5,323,943	-	1,327,957	1,327,957
Other Financial Assets .....	-	-	-	-	-	-
<b>Expected Credit Losses (-) .....</b>	<b>2,414,740</b>	<b>302,296</b>	<b>2,717,036</b>	<b>1,368,174</b>	<b>366,722</b>	<b>1,734,896</b>
<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net) .....</b>	<b>274,644</b>	<b>-</b>	<b>274,644</b>	<b>307,881</b>	<b>-</b>	<b>307,881</b>
Assets Held for Sale .....	274,644	-	274,644	307,881	-	307,881
Assets of Discontinued Operations .....	-	-	-	-	-	-
<b>INVESTMENTS IN ASSOCIATES</b>						
<b>SUBSIDIARIES AND JOINT VENTURES</b>						
<b>Associates (Net) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Associates Consolidated Under Equity						
Accounting .....	-	-	-	-	-	-
Unconsolidated Associates .....	-	-	-	-	-	-
<b>Subsidiaries (Net) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unconsolidated Financial Investments in Subsidiaries .....	-	-	-	-	-	-
Unconsolidated Non-Financial Investments in Subsidiaries .....	-	-	-	-	-	-
<b>Joint Ventures (Net) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Joint-Ventures Consolidated Under Equity						
Accounting .....	-	-	-	-	-	-
Unconsolidated Joint-Ventures .....	-	-	-	-	-	-
<b>TANGIBLE ASSETS (NET) .....</b>	<b>594,099</b>	<b>843</b>	<b>594,942</b>	<b>301,045</b>	<b>874</b>	<b>301,919</b>
<b>INTANGIBLE ASSETS (Net) .....</b>	<b>342,454</b>	<b>-</b>	<b>342,454</b>	<b>223,839</b>	<b>-</b>	<b>223,839</b>
Goodwill .....	-	-	-	-	-	-
Other .....	342,454	-	342,454	223,839	-	223,839
<b>INVESTMENT PROPERTY (NET) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CURRENT TAX ASSET .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>DEFERRED TAX ASSETS .....</b>	<b>788,020</b>	<b>-</b>	<b>788,020</b>	<b>301,329</b>	<b>-</b>	<b>301,329</b>
<b>OTHER ASSETS .....</b>	<b>925,248</b>	<b>73,157</b>	<b>998,405</b>	<b>550,677</b>	<b>58,127</b>	<b>608,804</b>
<b>TOTAL ASSETS .....</b>	<b>123,929,533</b>	<b>88,427,390</b>	<b>212,356,923</b>	<b>46,253,916</b>	<b>52,261,722</b>	<b>98,515,638</b>

	31 December 2022			31 December 2021		
	TRY (thousand)			TRY (thousand)		
LIABILITIES	TRY	FC	Total	TRY	FC	Total
<b>FUNDS COLLECTED .....</b>	<b>105,446,074</b>	<b>67,693,024</b>	<b>173,139,098</b>	<b>29,714,656</b>	<b>48,219,141</b>	<b>77,933,797</b>
<b>FUNDS BORROWED .....</b>	<b>341,719</b>	<b>4,182,250</b>	<b>4,523,969</b>	<b>319,918</b>	<b>1,688,051</b>	<b>2,007,969</b>
<b>MONEY MARKETS DEBTS .....</b>	<b>57,003</b>	<b>7,498,996</b>	<b>7,555,999</b>	<b>3,784,645</b>	<b>-</b>	<b>3,784,645</b>
<b>SECURITIES ISSUED (Net) .....</b>	<b>4,394,241</b>	<b>-</b>	<b>4,394,241</b>	<b>4,360,022</b>	<b>-</b>	<b>4,360,022</b>
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>						
<b>DERIVATIVE FINANCIAL LIABILITIES .....</b>	<b>-</b>	<b>62,998</b>	<b>62,998</b>	<b>70,653</b>	<b>1,039</b>	<b>71,692</b>
Derivative Financial Liabilities at Fair Value Through Profit or Loss .....	-	62,998	62,998	70,653	1,039	71,692
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income .....	-	-	-	-	-	-
<b>LEASE PAYABLES .....</b>	<b>335,946</b>	<b>-</b>	<b>335,946</b>	<b>194,453</b>	<b>10</b>	<b>194,463</b>
<b>PROVISIONS .....</b>	<b>1,624,034</b>	<b>541,975</b>	<b>2,166,009</b>	<b>229,371</b>	<b>417,899</b>	<b>647,270</b>
Restructuring Provisions .....	-	-	-	-	-	-
Reserve for Employee Benefits .....	154,439	-	154,439	37,259	-	37,259
Insurance Technical Provisions (Net) .....	-	-	-	-	-	-
Other Provisions .....	1,469,595	541,975	2,011,570	192,112	417,899	610,011
<b>CURRENT TAX LIABILITY .....</b>	<b>1,487,212</b>	<b>2</b>	<b>1,487,214</b>	<b>350,441</b>	<b>-</b>	<b>350,441</b>
<b>DEFERRED TAX LIABILITY .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net) .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Held for Sale Purpose .....	-	-	-	-	-	-
Related to Discontinued Operations .....	-	-	-	-	-	-
<b>SUBORDINATED DEBT INSTRUMENTS .....</b>	<b>1,341,748</b>	<b>2,597,654</b>	<b>3,939,402</b>	<b>1,341,500</b>	<b>1,314,363</b>	<b>2,655,863</b>
Loans .....	1,341,748	2,597,654	3,939,402	1,341,500	1,314,363	2,655,863
Other Debt Instruments .....	-	-	-	-	-	-
<b>OTHER LIABILITIES .....</b>	<b>2,056,100</b>	<b>1,317,502</b>	<b>3,373,602</b>	<b>920,890</b>	<b>1,266,851</b>	<b>2,187,741</b>

	31 December 2022			31 December 2021		
			TRY (thousand)			
LIABILITIES	TRY	FC	Total	TRY	FC	Total
<b>SHAREHOLDERS' EQUITY</b>	<b>11,496,416</b>	<b>(117,971)</b>	<b>11,378,445</b>	<b>4,345,743</b>	<b>(24,008)</b>	<b>4,321,735</b>
Paid-in capital	2,650,000	-	2,650,000	1,750,000	-	1,750,000
Capital Reserves	261,513	-	261,513	261,513	-	261,513
Share Premium	-	-	-	-	-	-
Share Cancellation Profits	-	-	-	-	-	-
Other Capital Reserve	261,513	-	261,513	261,513	-	261,513
Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss	(94,077)	-	(94,077)	(6,895)	-	(6,895)
Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss	2,540,848	(117,971)	2,422,877	43,265	(24,008)	19,257
Profit Reserves	2,297,860	-	2,297,860	1,739,171	-	1,739,171
Legal Reserves	120,251	-	120,251	92,316	-	92,316
Status Reserves	-	-	-	-	-	-
Extraordinary Reserves	2,131,542	-	2,131,542	1,600,788	-	1,600,788
Other Profit Reserves	46,067	-	46,067	46,067	-	46,067
Profit or (Loss)	3,840,272	-	3,840,272	558,689	-	558,689
Prior Period Profit / Loss	-	-	-	-	-	-
Current Period Profit / Loss	3,840,272	-	3,840,272	558,689	-	558,689
<b>TOTAL LIABILITIES</b>	<b>128,580,493</b>	<b>83,776,430</b>	<b>212,356,923</b>	<b>45,632,292</b>	<b>52,883,346</b>	<b>98,515,638</b>

### Assets

The vast majority of Ziraat Katilim's assets comprise loans, lease receivables and advances to customers. Deposits from customers and funds borrowed from third parties constitute its main liabilities.

As at 30 June 2023, Ziraat Katilim had total assets of TRY 305,818.10 million, an increase of 101.73 per cent. from TRY 151,597.58 million as at 30 June 2022. This increase was mainly due to an increase in loans.

As at 31 December 2022, Ziraat Katilim had total assets of TRY 212,356.92 million, an increase of 115.56 per cent. from TRY 98,515.64 million as at 31 December 2021. This increase was mainly driven by loans.

### Loans, lease receivables and advances

The increase in Ziraat Katilim's total assets was principally driven by a 115.56 per cent. increase in its loan book from the period from 31 December 2021 to 31 December 2022.

### Other assets

Ziraat Katilim's asset portfolio also comprised, amongst others: (i) cash and balances with the Turkish Central Bank; (ii) loans and advances to banks; (iii) derivative assets held for trading; (iv) financial assets at fair value through profit or loss investment securities; (v) property and equipment; (vi) intangible assets; and (vii) deferred tax assets.

Ziraat Katilim's cash and cash equivalents accounted for 17.85 per cent. of total assets as at 30 June 2023 and increased by 96.56 per cent. during the period from TRY 27,776.20 million as at 30 June 2022 to TRY 54,578.22 million as at 30 June 2023 mainly due to the reserve requirement policies of the Central Bank.

Ziraat Katilim's cash and cash equivalents accounted for 18.92 per cent. of total assets as at 31 December 2021 and increased by 104.97 per cent. during the period from TRY 18,639.3million as at 31 December 2021 to TRY 38,204.4 million as at 31 December 2022.

### Loans and advances to banks

Ziraat Katilim's loans and advances to banks has increased by 115.64 per cent. from TRY 58,588.55 million as at 31 December 2021 to TRY 126,339.98 million as at 31 December 2022.

Information on loans and advances to banks and other financial institutions as at 30 June 2023, 30 June 2022, 31 December 2022 and 31 December 2021 is set out below:

	30 June 2023		30 June 2022		31 December 2022		31 December 2021	
					TRY (thousand)			
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Banks.....								

	30 June 2023		30 June 2022		31 December 2022		31 December 2021	
	TRY (thousand)							
Domestic Banks.....	4,961,786	5,207,160	9,191	6,518,685	134,657	10,334,683	9,647	1,750,708
Foreign Banks .....	-	4,571,865	-	2,219,471	-	2,781,980	-	1,589,785
Foreign Head Office and Branches.....	-	-	-	-	-	-	-	-
<b>Total .....</b>	<b>4,961,786</b>	<b>9,779,025</b>	<b>9,191</b>	<b>8,738,156</b>	<b>134,657</b>	<b>13,116,663</b>	<b>9,647</b>	<b>3,340,493</b>

Information on foreign banks accounts as at 30 June 2023 and 30 June 2022 is set out below:

	Unrestricted Amount		Restricted Amount	
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	TRY (thousand)			
European Union Countries .....	3,155,527	1,647,188	-	-
USA, Canada.....	691,320	191,727	-	-
OECD Countries* .....	85,750	26,830	-	-
Off-Shore Banking Regions .....	-	-	-	-
Other Countries.....	639,268	114,726	-	-
<b>Total .....</b>	<b>4,571,865</b>	<b>2,219,471</b>	<b>-</b>	<b>-</b>

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

Information on foreign banks accounts as at 31 December 2022 and 31 December 2021 is set out below:

	Unrestricted Amount		Restricted Amount	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	TRY (thousand)			
European Union Countries .....	1,970,439	1,118,926	-	-
USA, Canada.....	151,058	299,273	-	-
OECD Countries* .....	275,693	22,156	-	-
Off-Shore Banking Regions .....	-	-	-	-
Other Countries.....	384,790	149,430	-	-
<b>Total .....</b>	<b>2,781,980</b>	<b>1,589,785</b>	<b>-</b>	<b>-</b>

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

### ***Derivative assets and financial assets measured at fair value through other comprehensive income securities***

Ziraat Katilim's financial assets measured at fair value through other comprehensive income securities was TRY 19,090.07 million as at 30 June 2023, compared to TRY 14,113.36 million as at 30 June 2022 and TRY 18,823.73 million as at 31 December 2022 compared to TRY 8,589.57 million as at 31 December 2021. The share of the financial assets measured at fair value through other comprehensive income securities in total assets was 8.9 per cent in 2022 compared to 8.7 per cent in 2021.

### ***Tangible and intangible assets***

As at 30 June 2023, Ziraat Katilim's tangible assets was TRY 1,246.91 million (compared to TRY 400.95 million as at 30 June 2022). Tangible assets increased by 210.99 per cent. to reach TRY 1,246.91 million as at 30 June 2023 (compared to TRY 400.95 million as at 30 June 2022), intangible assets increased by 74.98 per cent. to reach TRY 476.95 million as at 30 June 2023 (compared to TRY 272.57 million as at 30 June 2022). Deferred tax assets increased by 194.40 per cent. to reach TRY 1,091.52 million as at 30 June 2023 (compared to TRY 370.76 million as at 30 June 2022). Other assets increased by 9.23 per cent. to reach TRY 913.37 million as at 30 June 2023 (compared to TRY 836.20 million as at 30 June 2022) due to a growing branch network and revaluation of current tangible assets.

As at 31 December 2022, Ziraat Katilim's tangible assets was TRY 594.94 million (compared to TRY 301.91 million as at 31 December 2021). While tangible assets went up by 97.05 per cent. to reach TRY 594.94 million in 2022 (compared to TRY 301.92 million as at 31 December 2021), intangible assets increased by 52.99 per cent to reach TRY 342.45 million in 2022 (compared to TRY 223.84 million as at 31 December 2021).

As a result of increased profit, as at 31 December 2022, deferred tax assets had increased by 161.52 per cent. to TRY 788.02 million as compared to TRY 301.33 million as at 31 December 2021. As at 31 December 2022, other assets had increased by 63.99 per cent to TRY 998.41 million as compared to TRY 608.80 million as at 31 December 2021.

### ***Liabilities and Shareholders' Equity***

As a participation bank, Ziraat Katilim's does not have access to the same sources of funding as conventional banks (such as interest-bearing facilities or security portfolios). Ziraat Katilim's funding base for its activities are substantially derived from: (i) customer deposits; (ii) funds borrowed; and (iii) shareholders.

Ziraat Katilim had total liabilities and shareholders' equity of TRY 305,818.10 million as at 30 June 2023, an increase of 101.73 per cent. from TRY 151,597.58 million as at 30 June 2022. This was due to an increase in deposits and equity.

Ziraat Katilim had total liabilities of TRY 212,356.92 million as at 31 December 2022, an increase of 115.56 per cent. from TRY 98,515.64 million as at 31 December 2021. This increase was principally the result of increases in deposits from customers and funds borrowed as outlined below.

### ***Funds Collected***

Ziraat Katilim's funds collected accounted for 84 per cent. of its total liabilities and shareholders' equity as at 30 June 2023 (an increase of 103 per cent. compared to TRY 126,541.81 million as at 30 June 2022) and 82 per cent. of its total liabilities and shareholders' equity as at 31 December 2022 (an increase of 229 per cent. compared to TRY 77,933.79 million as at 31 December 2021).

Information on the maturity structure of funds collected as at 30 June 2023 and 30 June 2022 is set out below:

As at 30 June 2023			Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated Participation Account	Total
TRY (thousands)									
I. Real persons current accounts non-trade TRY .....	2,570,967	-	-	-	-	-	-	-	2,570,967
II. Real persons participation accounts non-trade TRY .....	-	1,246,085	22,394,370	3,754,595	2,763,305	43,962	18,017,572	-	48,219,889
III. Other current accounts-									
TRY .....	11,974,728	-	-	-	-	-	-	-	11,974,728
Public sector .....	196,141	-	-	-	-	-	-	-	196,141
Commercial sector .....	7,407,334	-	-	-	-	-	-	-	7,407,334
Other institutions.....	235,304	-	-	-	-	-	-	-	235,304
Commercial and other institutions.....	1,501	-	-	-	-	-	-	-	1,501
Banks and participation banks..	4,134,448	-	-	-	-	-	-	-	4,134,448
Central Bank of Republic of Türkiye.....	-	-	-	-	-	-	-	-	-
Domestic banks.....	1,008	-	-	-	-	-	-	-	1,008
Foreign banks .....	4,131,743	-	-	-	-	-	-	-	4,131,743
Participation banks.....	1,697	-	-	-	-	-	-	-	1,697
Others .....	-	-	-	-	-	-	-	-	-
IV. Participation accounts-									
TRY .....	-	14,851,186	62,859,317	2,914,675	2,667,421	62,772	1,467,119	-	84,822,490
Public sector .....	-	10,522,456	5,061,566	3,350	1,157	-	-	-	15,588,529
Commercial sector .....	-	4,268,918	54,185,460	2,891,632	2,664,312	51,859	1,446,426	-	65,508,607
Other institutions.....	-	59,812	1,861,706	15,497	1,952	10,913	20,693	-	1,970,573
Commercial and other institutions.....	-	-	16,588	4,196	-	-	-	-	20,784
Banks and participation banks..	-	-	1,733,997	-	-	-	-	-	1,733,997
V. Real persons current accounts non-trade FC.....	11,399,305	-	-	-	-	-	-	-	11,399,305
VI. Real persons participation accounts-FC .....	-	2,439,572	16,634,077	167,605	-	311,523	2,056,939	-	21,609,716
VII. Other current accounts-FC	14,597,756	-	-	-	-	-	-	-	14,597,756
Commercial residents in Türkiye.....	13,801,173	-	-	-	-	-	-	-	13,801,173
Commercial residents in Abroad .....	724,798	-	-	-	-	-	-	-	724,798
Banks and participation banks..	71,785	-	-	-	-	-	-	-	71,785
Central Bank of Republic of Türkiye.....	58,014	-	-	-	-	-	-	-	58,014
Domestic banks.....	1	-	-	-	-	-	-	-	1
Foreign banks .....	13,770	-	-	-	-	-	-	-	13,770
Participation banks.....	-	-	-	-	-	-	-	-	-
Others .....	-	-	-	-	-	-	-	-	-
VIII. Participation accounts-									
FC .....	-	11,222,754	38,805,119	2,121,081	585	79	10,220	-	52,159,838
Public sector .....	-	1,581	545,437	-	-	-	-	-	547,018
Commercial sector .....	-	11,146,952	37,433,799	2,116,609	585	79	4,438	-	50,702,462
Other institutions.....	-	17,296	656,064	3,263	-	-	5,782	-	682,405

As at 30 June 2023			Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated Participation Account	Total
TRY (thousands)									
Commercial and other									
institutions.....	-	46,253	41,662	-	-	-	-	-	87,915
Banks and participation banks..	-	10,672	128,157	1,209	-	-	-	-	140,038
IX. Precious metal funds .....	5,025,577	-	3,877,636	257,030	68,758	-	97,895	-	9,326,896
X. Participation accounts									
special funds – TRY .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
XI. Participation accounts									
special funds – FC .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
<b>Total I+II+....+IX+X+XI).....</b>	<b>45,568,333</b>	<b>29,759,597</b>	<b>144,570,519</b>	<b>9,214,986</b>	<b>5,500,069</b>	<b>418,336</b>	<b>21,649,745</b>	<b>-</b>	<b>256,681,585</b>

As at 30 June 2022	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated Participation Account	Total
TRY (thousands)									
I. Real persons current accounts non-trade TRY.....	1,499,497	-	-	-	-	-	-	-	1,499,497
II. Real persons participation accounts non-trade TRY .....	-	801,023	11,239,357	1,112,510	502,135	1,435	1,559,169	-	15,215,629
III. Other current accounts-TRY.....	7,108,311	-	-	-	-	-	-	-	7,108,311
Public sector .....	189,626	-	-	-	-	-	-	-	189,626
Commercial sector .....	2,683,090	-	-	-	-	-	-	-	2,683,090
Other institutions.....	100,932	-	-	-	-	-	-	-	100,932
Commercial and other institutions.....	712	-	-	-	-	-	-	-	712
Banks and participation banks .....	4,133,951	-	-	-	-	-	-	-	4,133,951
Central Bank of Republic of Türkiye.....	215	-	-	-	-	-	-	-	215
Domestic banks.....	762	-	-	-	-	-	-	-	762
Foreign banks .....	4,132,938	-	-	-	-	-	-	-	4,132,938
Participation banks.....	36	-	-	-	-	-	-	-	36
Others .....	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY .....	-	11,138,976	19,627,567	10,615,969	1,181,860	138,975	349,388	-	43,052,735
Public sector .....	-	6,397,826	2,712,778	2,047,461	66,442	-	-	-	11,224,507
Commercial sector .....	-	4,679,641	14,816,133	8,376,437	1,114,860	133,849	345,375	-	29,466,295
Other institutions.....	-	61,509	1,608,988	192,071	558	5,126	4,013	-	1,872,265
Commercial and other institutions.....	-	-	-	-	-	-	-	-	-
Banks and participation banks.....	-	-	489,668	-	-	-	-	-	489,668
V. Real persons current accounts non-trade FC .....	5,436,370	-	-	-	-	-	-	-	5,436,370
VI. Real persons participation accounts-FC .....	-	1,077,705	10,757,372	828,279	-	390,462	2,287,457	-	15,341,275
VII. Other current accounts-FC .....	6,505,572	-	-	-	-	-	-	-	6,505,572
Commercial residents in Türkiye.....	6,061,670	-	-	-	-	-	-	-	6,061,670
Commercial residents in Abroad .....	302,263	-	-	-	-	-	-	-	302,263
Banks and participation banks .....	141,639	-	-	-	-	-	-	-	141,639
Central Bank of Republic of Türkiye.....	136,350	-	-	-	-	-	-	-	136,350
Domestic banks.....	4,152	-	-	-	-	-	-	-	4,152
Foreign banks .....	1,137	-	-	-	-	-	-	-	1,137
Participation banks.....	-	-	-	-	-	-	-	-	-
Others .....	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC.....	-	2,079,595	14,555,271	9,688,369	173,026	18,229	18,254	-	26,532,744
Public sector .....	-	-	1,730	-	-	-	-	-	1,730
Commercial sector .....	-	1,991,125	13,503,169	9,638,130	173,026	1,450	14,556	-	25,321,456
Other institutions.....	-	88,470	296,782	50,239	-	-	3,698	-	439,189
Commercial and other institutions.....	-	-	80,635	-	-	16,779	-	-	97,414
Banks and participation banks .....	-	-	672,955	-	-	-	-	-	672,955
IX. Precious metal funds .....	2,775,773	-	2,657,720	329,520	35,362	-	51,310	-	5,849,685
X. Participation accounts special funds									
– TRY .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds									
– FC .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
<b>Total I+II+....+IX+X+XI).....</b>	<b>23,325,523</b>	<b>15,097,299</b>	<b>58,837,287</b>	<b>22,574,647</b>	<b>1,892,383</b>	<b>549,101</b>	<b>4,265,578</b>	<b>-</b>	<b>126,541,818</b>

Information on the maturity structure of funds collected as at 31 December 2022 and 31 December 2021 is set out below:

As at 31 December 2022	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 months	Up to 1 year	1 year and over	Accumulated Participation Account	Total
TRY (thousands)									
I. Real persons current accounts non-trade TRY.....	3,157,181	-	-	-	-	-	-	-	3,157,181
II. Real persons participation accounts non-trade TRY .....	-	1,109,309	20,384,240	1,164,467	780,322	1,221	5,114,040	-	28,553,599
III. Other current accounts-TRY .....	13,758,814	-	-	-	-	-	-	-	13,758,814
Public sector .....	242,590	-	-	-	-	-	-	-	242,590
Commercial sector .....	9,249,882	-	-	-	-	-	-	-	9,249,882
Other institutions.....	112,603	-	-	-	-	-	-	-	112,603
Commercial and other institutions.....	20,660	-	-	-	-	-	-	-	20,660
Banks and participation banks .....	4,133,079	-	-	-	-	-	-	-	4,133,079
Central Bank of Republic of Türkiye.....	291	-	-	-	-	-	-	-	291
Domestic banks .....	690	-	-	-	-	-	-	-	690
Foreign banks.....	4,132,074	-	-	-	-	-	-	-	4,132,074
Participation banks .....	24	-	-	-	-	-	-	-	24

As at 31 December 2022	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 months	Up to 1 year	1 year and over	Accumulated Participation Account	Total
TRY (thousands)									
Others .....	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY .....	-	20,007,109	32,682,191	5,022,993	1,449,717	65,648	748,875	-	59,976,533
Public sector .....	-	13,083,148	721,929	3,851,938	51,323	2,576	-	-	17,710,914
Commercial sector .....	-	6,875,077	29,914,497	1,138,904	1,398,141	47,325	748,071	-	40,122,015
Other institutions .....	-	48,884	1,391,609	32,151	253	15,747	804	-	1,489,448
Commercial and other institutions .....	-	-	-	-	-	-	-	-	-
Banks and participation banks .....	-	-	654,156	-	-	-	-	-	654,156
V. Real persons current accounts non-trade FC .....	7,899,340	-	-	-	-	-	-	-	7,899,340
VI. Real persons participation accounts-FC .....	-	1,582,540	8,749,485	125,947	-	248,468	1,943,881	-	12,650,321
VII. Other current accounts-FC .....	10,149,564	-	-	-	-	-	-	-	10,149,564
Commercial residents in Türkiye .....	9,297,062	-	-	-	-	-	-	-	9,297,062
Commercial residents in Abroad .....	846,388	-	-	-	-	-	-	-	846,388
Banks and participation banks .....	6,114	-	-	-	-	-	-	-	6,114
Central Bank of Republic of Türkiye .....	-	-	-	-	-	-	-	-	-
Domestic banks .....	1	-	-	-	-	-	-	-	1
Foreign banks .....	6,113	-	-	-	-	-	-	-	6,113
Participation banks .....	-	-	-	-	-	-	-	-	-
Others .....	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC .....	-	6,484,676	13,668,959	10,159,883	17,361	-	11,341	-	30,342,220
Public sector .....	-	952	203,478	-	-	-	-	-	204,430
Commercial sector .....	-	6,441,267	13,003,990	10,028,864	17,361	-	7,136	-	29,498,618
Other institutions .....	-	6,612	336,809	131,019	-	-	4,205	-	478,645
Commercial and other institutions .....	-	35,845	124,682	-	-	-	-	-	160,527
Banks and participation banks .....	-	-	-	-	-	-	-	-	-
IX. Precious metal funds .....	3,546,550	-	2,986,678	16,268	37,973	-	64,057	-	6,651,526
X. Participation accounts special funds	-	-	-	-	-	-	-	-	-
- TRY .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds	-	-	-	-	-	-	-	-	-
- FC .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
<b>Total I-II+.....+IX+X+XI)</b>	<b>38,511,449</b>	<b>29,183,634</b>	<b>78,471,553</b>	<b>16,489,558</b>	<b>2,285,373</b>	<b>315,337</b>	<b>7,882,194</b>	<b>-</b>	<b>173,139,098</b>

As at 31 December 2021	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated Participation Account	Total
TRY (thousands)									
I. Real persons current accounts non-trade TRY .....	1,080,407	-	-	-	-	-	-	-	1,080,407
II. Real persons participation accounts non-trade TRY .....	-	689,629	6,452,687	129,875	85,879	1,828	305,761	-	7,665,659
III. Other current accounts-TRY .....	6,128,513	-	-	-	-	-	-	-	6,128,513
Public sector .....	167,917	-	-	-	-	-	-	-	167,917
Commercial sector .....	1,749,291	-	-	-	-	-	-	-	1,749,291
Other institutions .....	76,861	-	-	-	-	-	-	-	76,861
Commercial and other institutions .....	517	-	-	-	-	-	-	-	517
Banks and participation banks .....	4,133,927	-	-	-	-	-	-	-	4,133,927
Central Bank of Republic of Türkiye .....	117	-	-	-	-	-	-	-	117
Domestic banks .....	774	-	-	-	-	-	-	-	774
Foreign banks .....	4,133,014	-	-	-	-	-	-	-	4,133,014
Participation banks .....	22	-	-	-	-	-	-	-	22
Others .....	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY .....	-	2,898,139	10,399,835	918,222	318,592	280,004	25,512	-	14,840,304
Public sector .....	-	816,825	1,110,069	124,235	41,131	78,548	-	-	2,170,808
Commercial sector .....	-	2,068,417	7,387,720	724,434	255,743	201,456	22,075	-	10,659,845
Other institutions .....	-	12,897	1,379,432	69,553	21,718	-	3,437	-	1,487,037
Commercial and other institutions .....	-	-	-	-	-	-	-	-	-
Banks and participation banks .....	-	-	522,614	-	-	-	-	-	522,614
V. Real persons current accounts-FC .....	3,803,345	-	-	-	-	-	-	-	3,803,345
VI. Real persons participation accounts non-trade FC .....	-	591,893	9,616,802	184,883	-	280,987	2,053,298	-	12,727,863
VII. Other current accounts non-trade FC .....	8,580,782	-	-	-	-	-	-	-	8,580,782
Commercial residents in Türkiye .....	8,406,586	-	-	-	-	-	-	-	8,406,586
Commercial residents in Abroad .....	159,312	-	-	-	-	-	-	-	159,312
Banks and participation banks .....	14,884	-	-	-	-	-	-	-	14,884
Central Bank of Republic of Türkiye .....	6,090	-	-	-	-	-	-	-	6,090
Domestic banks .....	-	-	-	-	-	-	-	-	-
Foreign banks .....	8,794	-	-	-	-	-	-	-	8,794
Participation banks .....	-	-	-	-	-	-	-	-	-
Others .....	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC .....	-	466,502	9,830,320	231,336	80,902	1,129	7,741,954	-	18,352,143
Public sector .....	-	-	1,352	-	-	-	-	-	1,352
Commercial sector .....	-	464,496	9,723,205	231,262	80,902	1,129	7,739,071	-	18,240,065
Other institutions .....	-	2,006	34,110	74	-	-	2,883	-	39,073
Commercial and other institutions .....	-	-	71,653	-	-	-	-	-	71,653
Banks and participation banks .....	-	-	-	-	-	-	-	-	-
IX. Precious metal funds .....	2,012,422	-	2,642,744	11,673	38,902	-	49,040	-	4,754,781
X. Participation accounts special funds	-	-	-	-	-	-	-	-	-
- TRY .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds	-	-	-	-	-	-	-	-	-
- FC .....	-	-	-	-	-	-	-	-	-
Residents in Türkiye .....	-	-	-	-	-	-	-	-	-
Residents Abroad .....	-	-	-	-	-	-	-	-	-
<b>Total I-II+.....+IX+X+XI)</b>	<b>21,605,469</b>	<b>4,646,163</b>	<b>38,942,388</b>	<b>1,475,989</b>	<b>524,275</b>	<b>563,948</b>	<b>10,175,565</b>	<b>-</b>	<b>77,933,797</b>

### ***Funds borrowed***

Ziraat Katilim's funds borrowed figures which is TRY 6,734.92 million as at 30 June 2023 and TRY 2,795.56 million as at 30 June 2022, accounted for 2.2 per cent. and 1.84 per cent. of its total liabilities, respectively, as at 30 June 2023 and 30 June 2022. This increase was a result of funds borrowed from other banks and financial institutions.

Ziraat Katilim's funds borrowed figures which was TRY 4,523.96 million as at 31 December 2022 (constituting an increase of 125.30 per cent from TRY 2,007.9 as at 31 December 2021) accounted for 2.13 per cent. and 2.04 per cent. of its total liabilities and shareholders' equity, respectively, as at 31 December 2022 and 31 December 2021. This increase was a result of increases in both short term and long-term funds borrowed, as a result of Ziraat Katilim's increased loan portfolio and the consequent need to fund that portfolio from third party credit facilities.

The majority of Ziraat Katilim's funds borrowed were long term accounting for 83.59 per cent. of funds borrowed as at 30 June 2023 and 65.62 per cent. as at 31 December 2022.

Such long-term credit facilities increased 125.30 per cent. from TRY 2,007.96 million as at 31 December 2021 to TRY 4,523.97 million as at 31 December 2022 and by 140.92 per cent. from TRY 2,795.55 million as at 30 June 2022 to TRY 6,734.92 million as at 30 June 2023.

Ziraat Katilim's short term funds borrowed accounted for 16.4 per cent. and 34.38 per cent. of total funds borrowed as at 30 June 2023 and 31 December 2022, respectively. This marked an increase from TRY 1,117.48 million as at 30 June 2022 and TRY 907.13 million as at 31 December 2021 to TRY 1,105.12 million as at 30 June 2023 and TRY 1,555.15 million as at 31 December 2022.

The following table shows the maturity and currency breakdown of the funds borrowed as at 30 June 2023, 30 June 2022, 31 December 2022 and 31 December 2021:

	30 June 2023		30 June 2022		31 December 2022		31 December 2021	
	TRY	FC	TRY	FC	TRY	FC	TRY	FC
Short-term .....	13,968	1,091,158	101,877	1,015,603	185,711	1,369,438	106,026	801,105
Medium and Long-term .....	376,268	5,253,528	181,952	1,496,123	156,008	2,812,812	213,892	886,946
<b>Total .....</b>	<b>390,236</b>	<b>6,344,686</b>	<b>283,829</b>	<b>2,511,726</b>	<b>341,719</b>	<b>4,182,250</b>	<b>319,918</b>	<b>1,688,051</b>

### ***Provisioning and tax liabilities***

As a result of an increase in loans, the total provisions of Ziraat Katilim increased by 63 per cent as at 30 June 2023 compared to the total provisions of Ziraat Katilim as at 30 June 2022. As at 30 June 2023, provisions reached TRY 2,051.53 million from TRY 1,259.4 million as at 30 June 2022.

Mainly driven by the growth in the loan portfolio, the total provisions of Ziraat Katilim increased by 235.64 per cent as at 31 December 2022 compared to the total provisions of Ziraat Katilim as at 31 December 2021. As at 31 December 2022, provisions reached TRY 2,166.01 million from TRY 647.27 million as at 31 December 2021. As at 31 December 2022, general provisions comprised 52 per cent. of general total provisions, which had the largest share. As of the same date, provisions for employees' benefits comprised 7 per cent. of total provisions and other provisions totalled 93 per cent. of total provisions as at 31 December 2022.

### ***Changes in shareholders' equity***

As at 30 June 2023, shareholders' equity reached TRY 15,712.69 million compared to TRY 8,168.13 million as at 30 June 2022.

Shareholders' equity of Ziraat Katilim increased by 163.28 per cent. as at 31 December 2022 when compared to as at 31 December 2021. As at 31 December 2022, shareholders' equity reached TRY 11,378.45 million compared to TRY 4,321.74 million as at 31 December 2021. This increase is mainly attributable to a fresh capital injection.

## Cash Flows

The following table sets forth the cash flow indicators for the six months ended 30 June 2023 and 30 June 2022 and for the years ended 31 December 2022 and 31 December 2021:

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
		TRY (thousands)		
<b>CASH FLOWS FROM BANKING OPERATIONS</b>				
<b>Operating profit before changes in operating assets and liabilities) .....</b>	<b>5,215,428</b>	<b>1,518,461</b>	<b>7,465,717</b>	<b>1,476,308</b>
Profit Share Income Received .....	14,759,546	4,864,866	17,118,441	5,319,303
Profit Share Expense Paid .....	(9,796,091)	(3,036,195)	(9,244,138)	(3,939,158)
Dividend Received .....	-	774	774	-
Fees and Commissions Received .....	1,532,680	329,818	786,063	284,498
Other Income .....	692,354	-	1,199,956	295,913
Collections from Previously Written-off Loans .....	36,818	245,670	380,055	370,638
Payments to Personnel and Service Suppliers .....	(967,085)	(318,499)	(798,367)	(317,383)
Taxes Paid .....	(2,444,250)	(873,383)	(1,854,974)	(155,112)
Others .....	1,401,456	305,410	(122,093)	(382,391)
<b>Changes in Operating Assets and Liabilities .....</b>	<b>(557,365)</b>	<b>6,580,981</b>	<b>16,013,785</b>	<b>4,121,148</b>
Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss .....	(957,784)	(92,691)	(342,655)	(978,818)
Net (Increase) / Decrease in Due From Banks And Other Financial Institutions .....	(17,453,189)	(3,191,793)	(6,902,199)	(5,165,109)
Net (Increase) / Decrease in Loans .....	(41,903,001)	(31,685,042)	(63,868,472)	(20,025,767)
Net (Increase) / Decrease in Other Assets .....	(22,292,638)	(3,158,804)	(12,079,591)	(4,769,950)
Net Increase / (Decrease) in Bank Funds .....	374,308	(2,130,458)	(3,735,381)	1,278,436
Net Increase / (Decrease) in Other Funds .....	75,874,251	47,755,417	95,726,345	30,198,802
Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss .....	-	-	-	-
Net Increase / (Decrease) in Funds Borrowed .....	2,317,881	783,087	2,506,334	575,835
Net Increase / (Decrease) in Payables .....	-	-	-	-
Net Increase / (Decrease) in Other Liabilities .....	3,482,807	(1,698,735)	4,709,404	3,007,719
<b>Net Cash Provided from Banking Operations ...</b>	<b>4,658,063</b>	<b>8,099,442</b>	<b>23,479,502</b>	<b>5,597,456</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<b>Net Cash Provided from Investing Activities .....</b>	<b>(9,581,101)</b>	<b>(3,189,848)</b>	<b>(10,867,099)</b>	<b>(3,174,968)</b>
Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries .....	(24,000)	-	-	-
Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries .....	-	-	-	-
Purchases of Tangible Assets .....	(765,856)	(176,686)	(538,972)	(183,248)
Disposals of Tangible Assets .....	31,819	66,058	182,994	8,310
Purchase of Financial Assets at Fair Value Through Other Comprehensive Income .....	(6,264,467)	(4,158,611)	(12,431,232)	(6,580,875)
Sale of Financial Assets at Fair Value Through Other Comprehensive Income .....	3,373,461	2,084,317	5,651,615	3,580,845
Purchase of Financial Assets Measured at Amortized Cost .....	(5,932,058)	(1,004,926)	(3,731,504)	-
Sale of Financial Assets Measured at Amortized Cost .....	-	-	-	-
Other .....	-	-	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<b>Net Cash Provided from Financing Activities .....</b>	<b>3,839,902</b>	<b>1,065,261</b>	<b>115,130</b>	<b>743,547</b>
Cash Obtained from Funds Borrowed And Securities Issued .....	8,643,293	7,900,000	16,220,079	12,945,146
Cash Used For Repayment of Funds Borrowed And Securities Issued .....	(9,455,712)	(7,710,775)	(16,808,842)	(12,144,495)
Issued Equity Instruments .....	4,700,000	900,000	812,529	-
Dividends Paid .....	-	-	-	-
Payments for Finance Leases .....	(47,679)	(23,964)	(108,636)	(57,104)

	30 June 2023	30 June 2022	31 December 2022	31 December 2021
		TRY (thousands)		
Other .....	-	-	-	-
<b>Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents.....</b>	<b>1,484,318</b>	<b>404,396</b>	<b>367,400</b>	<b>207,266</b>
<b>Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV).....</b>	<b>401,182</b>	<b>6,379,251</b>	<b>13,094,933</b>	<b>3,373,301</b>
<b>Cash And Cash Equivalents At The Beginning Of The Period.....</b>	<b>21,154,391</b>	<b>8,059,458</b>	<b>8,059,458</b>	<b>4,686,157</b>
<b>Cash And Cash Equivalents At The End Of The Period.....</b>	<b>21,555,573</b>	<b>14,438,709</b>	<b>21,154,391</b>	<b>8,059,458</b>

### Off-Balance Sheet Commitments

Ziraat Katilim's off-balance sheet commitments principally comprise letters of guarantee, commitments to extend credit and letters of credit.

The following table sets out Ziraat Katilim's significant contingencies and commitments as at 30 June 2023 and 30 June 2022.

	30 June 2023			30 June 2022		
	TRY	FC	Total	TRY	FC	Total
	TRY (thousands)					
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III) .....</b>	<b>35,142,890</b>	<b>35,596,021</b>	<b>70,738,911</b>	<b>15,805,976</b>	<b>25,116,287</b>	<b>40,922,263</b>
<b>I. GUARANTEES AND WARRANTIES.....</b>	<b>29,650,679</b>	<b>32,644,286</b>	<b>62,294,965</b>	<b>12,617,876</b>	<b>23,364,938</b>	<b>35,982,814</b>
Letters of Guarantee.....	29,546,910	25,413,539	54,960,449	12,578,016	15,770,449	28,348,465
Guarantees Subject to State Tender Law.....	476,373	17,027,750	17,504,123	370,349	8,425,840	8,796,189
Guarantees Given for Foreign Trade Operations .....	23,050,843	-	23,050,843	10,308,667	-	10,308,667
Other Letters of Guarantee .....	6,019,694	8,385,789	14,405,483	1,899,000	7,344,609	9,243,609
Bank Acceptances .....	-	123,569	123,569	-	57,411	57,411
Import Letter of Acceptance...	-	123,569	123,569	-	57,411	57,411
Other Bank Acceptances .....	-	-	-	-	-	-
Letters of Credit .....	846	6,351,516	6,352,362	2,110	5,170,927	5,173,037
Documentary Letters of Credit.....	846	6,351,516	6,352,362	2,110	5,170,927	5,173,037
Other Letters of Credit .....	-	-	-	-	-	-
Prefinancing Given as Guarantee.....	-	-	-	-	-	-
Endorsements.....	-	-	-	-	-	-
Endorsements to the Central Bank of the Republic of Türkiye .....	-	-	-	-	-	-
Other Endorsements .....	-	-	-	-	-	-
Other Guarantees.....	99,758	755,662	855,420	20,750	2,366,151	2,386,901
Other Collaterals .....	3,165	-	3,165	17,000	-	17,000
<b>II. COMMITMENTS.....</b>	<b>3,981,879</b>	<b>347,245</b>	<b>4,329,124</b>	<b>1,980,733</b>	<b>550,144</b>	<b>2,530,877</b>
Irrevocable Commitments .....	3,981,879	347,245	4,329,124	1,980,733	550,144	2,530,877
Forward asset purchase commitments .....	331,974	347,245	679,219	252,471	550,144	802,615
Share Capital Commitments to Associates and Subsidiaries.....	-	-	-	-	-	-
Loan Granting Commitments .....	-	-	-	-	-	-
Securities Issue Brokerage Commitments .....	-	-	-	-	-	-
Commitments for Reserve Deposit Requirements.....	-	-	-	-	-	-
Payment commitment for checks .....	1,351,433	-	1,351,433	629,620	-	629,620
Tax and Fund Liabilities from Export Commitments.....	189,719	-	189,719	45,327	-	45,327
Commitments for Credit Card Limits .....	779,340	-	779,340	260,936	-	260,936

Commitments for Credit						
Cards and Banking Services						
Promotions.....	840	-	840	302	-	302
Receivables from Short Sale						
Commitments of						
Marketable Securities .....	-	-	-	-	-	-
Payables for Short Sale						
Commitments of						
Marketable Securities .....	-	-	-	-	-	-
Other Irrevocable						
Commitments .....	1,328,573	-	1,328,573	792,077	-	792,077
Revocable Commitments .....	-	-	-	-	-	-
Revocable Loan Granting						
Commitments .....	-	-	-	-	-	-
Other Revocable						
Commitments .....	-	-	-	-	-	-
<b>III. DERIVATIVE</b>						
<b>  FINANCIAL</b>						
<b>    INSTRUMENTS .....</b>	<b>1,510,332</b>	<b>2,604,490</b>	<b>4,114,822</b>	<b>1,207,367</b>	<b>1,201,205</b>	<b>2,408,572</b>
Hedging Derivative Financial						
Instruments .....	-	-	-	-	-	-
Fair value hedge .....	-	-	-	-	-	-
Cash flow hedge .....	-	-	-	-	-	-
Foreign Net Investment						
Hedges .....	-	-	-	-	-	-
Trading Derivative Financial						
Instruments .....	1,510,332	2,604,490	4,114,822	1,207,367	1,201,205	2,408,572
Forward Foreign Currency						
Buy/Sell Transactions .....	-	-	-	6,269	5,811	12,080
Forward Foreign Currency						
Transactions-Buy .....	-	-	-	6,269	-	6,269
Forward Foreign Currency						
Transactions-Sell .....	-	-	-	-	5,811	5,811
Other Forward Buy/Sell						
Transaction .....	1,510,332	2,604,490	4,114,822	1,201,098	1,195,394	2,396,492
Other .....	-	-	-	-	-	-
<b>B. CUSTODY AND</b>						
<b>  PLEDGES RECEIVED</b>						
<b>    (IV+V+VI) .....</b>	<b>209,645,731</b>	<b>44,397,818</b>	<b>254,043,549</b>	<b>96,202,271</b>	<b>24,586,024</b>	<b>120,788,295</b>
<b>IV. ITEMS HELD IN</b>						
<b>  CUSTODY .....</b>	<b>9,094,729</b>	<b>17,090,676</b>	<b>26,185,405</b>	<b>5,886,772</b>	<b>7,862,555</b>	<b>13,749,327</b>
Customer Fund and Portfolio						
Balances .....	-	-	-	-	-	-
Investment Securities Held in						
Custody .....	2,324,677	-	2,324,677	3,492,884	597,697	4,090,581
Checks Received for						
Collection .....	5,954,303	256,733	6,211,036	2,113,638	392,560	2,506,198
Commercial Notes Received						
for Collection .....	814,677	288,478	1,103,155	277,914	49,638	327,552
Other Assets Received for						
Collection .....	-	-	-	-	-	-
Assets Received for Public						
Offering .....	-	-	-	-	-	-
Other Items Under Custody .....	1,072	5,864,362	5,865,434	2,336	2,311,600	2,313,936
Custodians .....	-	10,681,103	10,681,103	-	4,511,060	4,511,060
<b>V. PLEDGES RECEIVED ..</b>	<b>200,551,002</b>	<b>27,307,142</b>	<b>227,858,144</b>	<b>90,315,499</b>	<b>16,723,469</b>	<b>107,038,968</b>
Marketable Securities .....	2,096,749	63,402	2,160,151	2,666,788	52,190	2,718,978
Guarantee Notes .....	11,757,602	195,143	11,952,745	5,232,222	610,661	5,842,883
Commodity .....	15,289,442	6,543,511	21,832,953	5,749,587	3,202,785	8,952,372
Warranty .....	-	-	-	-	-	-
Properties .....	134,770,997	17,302,370	152,073,367	63,125,810	10,547,500	73,673,310
Other Pledged Items .....	36,636,212	3,202,716	39,838,928	13,541,092	2,310,333	15,851,425
Pledged Items-Depository .....	-	-	-	-	-	-
<b>VI. ACCEPTED</b>						
<b>  INDEPENDENT</b>						
<b>    GUARANTEES AND</b>						
<b>    WARRANTIES .....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE</b>						
<b>  SHEET</b>						
<b>    COMMITMENTS (A+B) ..</b>	<b><u>244,788,621</u></b>	<b><u>79,993,839</u></b>	<b><u>324,782,460</u></b>	<b><u>112,008,247</u></b>	<b><u>49,702,311</u></b>	<b><u>161,710,558</u></b>

The following table sets out Ziraat Katilim's significant contingencies and commitments as at 31 December 2022 and 31 December 2021.

	31 December 2022			31 December 2021		
	TRY	FC	Total	TRY	FC	Total
	<i>TRY (thousands)</i>					
<b>A. OFF-BALANCE SHEET COMMITMENTS (I+II+III) .....</b>	<b>28,889,269</b>	<b>34,877,714</b>	<b>63,766,983</b>	<b>10,306,712</b>	<b>24,268,204</b>	<b>34,574,916</b>
<b>I. GUARANTEES AND WARRANTIES .....</b>	<b>21,569,718</b>	<b>23,621,764</b>	<b>45,191,482</b>	<b>8,271,172</b>	<b>21,332,293</b>	<b>29,603,465</b>
Letters of Guarantee .....	21,211,314	16,733,373	37,944,687	8,236,824	13,823,025	22,059,849
Guarantees Subject to State Tender Law .....	370,605	10,953,388	11,323,993	361,062	6,175,690	6,536,752
Guarantees Given for Foreign Trade Operations .....	15,639,249	-	15,639,249	7,229,114	-	7,229,114
Other Letters of Guarantee .....	5,201,460	5,779,985	10,981,445	646,648	7,647,335	8,293,983
Bank Acceptances .....	-	74,133	74,133	-	33,018	33,018
Import Letter of Acceptance .....	-	74,133	74,133	-	33,018	33,018
Other Bank Acceptances .....	-	-	-	-	-	-
Letters of Credit .....	846	5,650,093	5,650,939	20,348	5,053,199	5,073,547
Documentary Letters of Credit .....	846	5,650,093	5,650,939	20,348	5,053,199	5,073,547
Other Letters of Credit .....	-	-	-	-	-	-
Prefinancing Given as Guarantee .....	-	-	-	-	-	-
Endorsements .....	-	-	-	-	-	-
Endorsements to the Central Bank of the Republic of Türkiye .....	-	-	-	-	-	-
Other Endorsements .....	-	-	-	-	-	-
Other Guarantees .....	340,558	1,164,165	1,504,723	14,000	2,419,706	2,433,706
Other Collaterals .....	17,000	-	17,000	-	3,345	3,345
<b>II. COMMITMENTS .....</b>	<b>2,401,997</b>	<b>428,407</b>	<b>2,830,404</b>	<b>1,386,946</b>	<b>313,520</b>	<b>1,700,466</b>
Irrevocable Commitments .....	2,401,997	428,407	2,830,404	1,386,946	313,520	1,700,466
Forward asset purchase commitments .....	292,171	428,407	720,578	240,344	313,520	553,864
Share Capital Commitments to Associates and Subsidiaries .....	-	-	-	-	-	-
Loan Granting Commitments .....	-	-	-	-	-	-
Securities Issue Brokerage Commitments .....	-	-	-	-	-	-
Commitments for Reserve Deposit Requirements .....	-	-	-	-	-	-
Payment commitment for checks .....	748,093	-	748,093	448,457	-	448,457
Tax and Fund Liabilities from Export Commitments .....	95,161	-	95,161	22,637	-	22,637
Commitments for Credit Card Limits .....	544,655	-	544,655	141,095	-	141,095
Commitments for Credit Cards and Banking Services Promotions .....	458	-	458	265	-	265
Receivables from Short Sale Commitments of Marketable Securities .....	-	-	-	-	-	-
Payables for Short Sale Commitments of Marketable Securities .....	-	-	-	-	-	-
Other Irrevocable Commitments .....	721,459	-	721,459	534,148	-	534,148
Revocable Commitments .....	-	-	-	-	-	-
Revocable Loan Granting Commitments .....	-	-	-	-	-	-
Other Revocable Commitments .....	-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS .....</b>	<b>4,917,554</b>	<b>10,827,543</b>	<b>15,745,097</b>	<b>648,594</b>	<b>2,622,391</b>	<b>3,270,985</b>
Hedging Derivative Financial Instruments .....	-	-	-	-	-	-
Fair value hedge .....	-	-	-	-	-	-
Cash flow hedge .....	-	-	-	-	-	-

Foreign Net Investment						
Hedges.....	-	-	-	-	-	-
Trading Derivative Financial Instruments.....	4,917,554	10,827,543	15,745,097	648,594	2,622,391	3,270,985
Forward Foreign Currency Buy/Sell Transactions.....	-	-	-	648,594	853,108	1,501,702
Forward Foreign Currency Transactions-Buy.....	-	-	-	39,918	673,050	712,968
Forward Foreign Currency Transactions-Sell.....	-	-	-	608,676	180,058	788,734
Other Forward Buy/Sell Transaction.....	4,917,554	10,827,543	15,745,097	-	1,769,283	1,769,283
Other.....	-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI).....</b>	<b>131,287,786</b>	<b>32,489,349</b>	<b>163,777,135</b>	<b>70,066,806</b>	<b>20,237,127</b>	<b>90,303,933</b>
<b>IV. ITEMS HELD IN CUSTODY.....</b>	<b>8,152,999</b>	<b>13,565,085</b>	<b>21,718,084</b>	<b>5,132,707</b>	<b>6,230,163</b>	<b>11,362,870</b>
Customer Fund and Portfolio Balances.....	-	-	-	-	-	-
Investment Securities Held in Custody.....	3,865,882	4,149,611	8,015,493	3,396,918	259,899	3,656,817
Checks Received for Collection.....	3,857,006	247,942	4,104,948	1,527,859	411,526	1,939,385
Commercial Notes Received for Collection.....	429,039	26,523	455,562	207,655	51,962	259,617
Other Assets Received for Collection.....	-	-	-	-	-	-
Assets Received for Public Offering.....	-	-	-	-	-	-
Other Items Under Custody....	1,072	2,940,304	2,941,376	275	1,433,786	1,434,061
Custodians.....	-	6,200,705	6,200,705	-	4,072,990	4,072,990
<b>V. PLEDGES RECEIVED ..</b>	<b>123,134,787</b>	<b>18,924,264</b>	<b>142,059,051</b>	<b>64,934,099</b>	<b>14,006,964</b>	<b>78,941,063</b>
Marketable Securities.....	1,924,744	50,069	1,974,813	2,974,670	64,324	3,038,994
Guarantee Notes.....	8,077,568	171,660	8,249,228	3,295,056	462,109	3,757,165
Commodity.....	8,401,325	3,859,726	12,261,051	2,903,233	2,154,017	5,057,250
Warranty.....	-	-	-	-	-	-
Properties.....	86,435,593	12,437,005	98,872,598	44,854,726	8,584,587	53,439,313
Other Pledged Items.....	18,295,557	2,405,804	20,701,361	10,906,414	2,741,927	13,648,341
Pledged Items-Depository.....	-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES.....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B) ..</b>	<b><u>160,177,055</u></b>	<b><u>67,367,063</u></b>	<b><u>227,544,118</u></b>	<b><u>80,373,518</u></b>	<b><u>44,505,331</u></b>	<b><u>124,878,849</u></b>

### *Income Tax Expense*

The income tax expense was realised as being zero for the six months ended 30 June 2023 (due to the prevailing tax regulations), compared to TRY 860.55 million for the six months ended 30 June 2022, TRY 2,911.40 million for the year ended 31 December 2022 and TRY 373.74 million for the year ended 31 December 2021.

The deferred tax income was TRY 347.42 million for the six months ended 30 June 2023 compared to TRY 860.55 million for the six months ended 30 June 2022 and TRY 1,287.90 million and TRY 202.26 million for the years ended 31 December 2022 and 2021, respectively.

## TURKISH BANKING SYSTEM

*The following information relating to the Turkish banking sector has been provided for background purposes only. The information has been extracted from third-party sources that Ziraat Katilim management believes to be reliable but Ziraat Katilim has not independently verified such information.*

### General Outlook of the Turkish Banking Sector as at December 2022

After a phase of consolidation, liquidations and significant regulatory enhancements in the 2000s, the Turkish banking sector has experienced a period of stability. The total number of banks (including deposit-taking banks, investment banks and development banks) in the sector has held relatively steady since 2008. During this phase, bank combinations have been few and changes to the roster have resulted principally from strategic investors purchasing existing local banks.

The number of banks in operation was 58 as of December 2022. 35 of them were deposit banks, and 17 were development and investment banks. Of the deposit banks, 3 were state-owned banks, and 8 were private banks. There were 6 participation banks in Türkiye.

	2020	2021	2022
Deposit Banks .....	34	35	35
- State Owned .....	3	3	3
- Private .....	8	8	8
- Foreign .....	21	21	21
- SDIF .....	2	3	3
Development and Investment Banks .....	14	16	17
Participation Banks .....	6	6	6
<b>Total .....</b>	<b>54</b>	<b>57</b>	<b>58</b>

According to the Banks Association of Türkiye, in 2022 the size of banking sector assets was TRY 14.3 trillion. The ratio of the assets to GDP ratio decreased by 31 points, from 127 per cent. to 96 per cent., as compared to 2021. The ratio of total deposits to GDP ratio decreased by 14 points to 59 per cent. and the share of TRY deposits and FX-protected deposits increased by 6 points to 32 per cent.. The net profit of the banking sector increased by 371 per cent. and provisions for taxes increased by 445 per cent. in 2022, as compared to 2021. In 2022, the shares of deposit banks, development and investment banks and participation banks in total assets were 86 per cent., 6 per cent. and 8 per cent., respectively. As of December 2022, the shares of top-five and top-ten banks in total assets were 61 per cent. and 88 per cent., respectively.

### *Types of Banks in Türkiye*

Banks in Türkiye are classified into one of the following categories: (i) State Banks; (ii) Private Banks; (iii) Foreign Banks; (iv) Development and Investment banks; (v) participation banks; and (vi) banks under the control of the SDIF.

The state banks and some of private and foreign banks form the majority of the Turkish banking sector in terms of assets and operations. The three state banks, which all have large branch networks, were originally established with social rather than profit objectives, principally to provide services to certain sectors of the working population. Private sector commercial banks are comprised of full-service banks and corporate/trade finance-orientated banks. The four largest private and foreign commercial banks are Türkiye Is Bankasi A.S.(Private), Türkiye Garanti Bankasi A.S. ("**Garanti Bankası**") (Foreign), Akbank T.A.S. ("**Akbank**") (Private) and Yapi Kredi Bankasi A.Ş. (Private) These banks provide a large proportion of retail banking services and related financial products to the Turkish population in addition to providing large Turkish corporations and Turkish subsidiaries of large foreign companies with corporate and foreign trade related banking services.

In recent years, the liberalisation of the Turkish economy has resulted in an increase in the number of foreign-banks operating in Türkiye, either as locally incorporated banks, branches or joint ventures with domestic banks. The following are examples of notable merger and acquisition activities by foreign banks in recent years. In February 2005, BNP Paribas acquired 50 per cent. of the shares of TEB Mali Yatırımlar A.Ş. which owns 84.3 per cent. of the shares of TEB A.Ş. In October 2006, Denizbank was acquired from the Zorlu Group by Dexia for U.S. dollar 2.4 billion. Latterly, in September 2012, Sberbank acquired 99.9 per cent. of Denizbank from Dexia for U.S. dollar 3.6 billion (subject to post-closing adjustments). In January 2007, Citigroup acquired a 20 per cent. stake in Akbank and later in the same year ING acquired

Oyakbank for U.S. dollar 2.7 billion. More recently, in March 2011, General Electric Co. and Doğuş Holding A.Ş. sold their 18.6 per cent. and 6.3 per cent. stakes, respectively, in Garanti Bankası to BBVA for U.S. dollar 3.8 billion and U.S. dollar 2 billion, respectively. In December 2012, Burgan Bank SAK purchased 99.3 per cent. of Eurobank Tekfen A.Ş. for U.S. dollar 355 million. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent. of Alternatif Bank A.Ş. in July 2013 by paying twice the book value at 30 June 2013. Finally, in July 2015, BBVA acquired an additional 14.89 per cent. of the shares of Garanti Bankası from Doğuş Holding A.Ş., making it the majority shareholder of Garanti Bankası with 39.9 per cent. of overall shares. By purchasing 10 per cent. more shares in Garanti Bankası for USD 917 million, BBVA has increased its holding to 49.9 per cent. in February 2017. In December 2012, Burgan Bank SAK purchased 99.3 per cent. of Eurobank Tekfen A.Ş. for US \$355 million. The Commercial Bank of Qatar (Q.S.C.) acquired 70.84 per cent of Alternatif Bank A.Ş. in July 2013 by paying two times book value at 30 June 2013. In July 2016, Q.S.C. acquired another 25.0 per cent of Alternatif Bank A.Ş. by paying USD 224.9 million. The Abraaj Group of BAE purchased 9.95 per cent. of Fibabanka in June 2016. Another notable acquisition in the Turkish Banking sector over the past few years was the transfer of the shares in Finansbank A.Ş., which bank was previously owned by the Özyeğin Family, by the National Bank of Greece (NBG) to Qatar National Bank in June 2016. As a result of this transfer, the trading name of the bank was changed to QNB Finansbank A.Ş.

The Banking Law permits commercial banks to engage in all areas of financial activities including deposit taking, corporate and consumer financing, foreign exchange transactions, certain capital markets activities, securities trading and investment banking (except collecting participation funds and financial leasing activities). The Banking Law permits participation banks to engage in all areas of financial activities (other than accepting deposits).

### **Public Sector Commercial Banks**

As at December 2022, 3 development and investment banks are public banks, 10 are private banks and 4 are owned by non-residents.

There are three public sector commercial banks within Türkiye, all or a majority of which are owned or controlled by state entities. They generally have large branch networks and were originally established for development purposes, such as for agriculture, housing or foundations, rather than for profit motives. Through their broad branch networks and ownership structures, these banks have traditionally been able to collect a substantial amount of deposits and thereby access cost-efficient funding sources.

The following table sets out the three state-owned commercial banks in Türkiye, ranked for size of assets under Turkish GAAP accounting principles as at the dates presented.

<b>Bank</b>	<b>Total Assets</b>	<b>Number of branches</b>
	<b>as at 30 December 2022</b>	<b>as at 30 December 2022</b>
	<i>(TRY in thousands)</i>	
Türkiye Vakıflar Bankası T.A.O. ....	89,904	949
Türkiye Halk Bankası A.Ş. ....	74,453	1,038
Türkiye Cumhuriyeti Ziraat Bankası A.Ş. ....	123,63	1,758

Source: The Banks Association of Türkiye; BRSA.

### **Private Sector Commercial Banks**

Private sector commercial banks comprise full-service banks and corporate/trade finance-oriented banks. Private sector commercial banks can be divided into large and small branch network commercial banks. Most private sector banks belong to large industrial groups, which may provide additional support to the banks.

As at December 2022, the eight privately owned banks are: Akbank T.A.Ş., Anadolubank A.Ş., Fibabanka A.Ş., Şekerbank T.A.Ş., Turkish Bank A.Ş., Türk Ekonomi Bankası A.Ş., Türkiye İş Bankası A.Ş., and Yapı ve Kredi Bankası A.Ş.

### **Foreign Commercial Banks**

The strengthening of regulations and the transparency of the Turkish economy over the past decade has resulted in an increase in the number of foreign commercial banks operating in Türkiye. As at the date of

this Prospectus, there are 21 foreign banks in total, 16 of which are locally incorporated banks and five of which are Turkish branches of foreign banks.

### Development and Investment Banks

Development banks are funded by the Turkish Central Bank, international banks and institutions such as the World Bank, the European Investment Bank and various export credit agencies. Their objective is to provide medium and long-term financing to large and medium sized companies on a project basis. Development banks do not accept deposits and are also active in foreign exchange and securities transactions. There are four state-owned, five privately-owned and four foreign development and investment banks in Türkiye. These banks are not subject to the Banking Law.

### PARTICIPATION BANKS

As at the date of this Prospectus, there are currently six participation banks operating in Türkiye, namely Türkiye Finans Katılım Bankası A.Ş., Kuveyt Türk Katılım Bankası A.Ş., Albakara Türk Katılım Bankası A.Ş., Ziraat Katılım, Türkiye Emlak Katılım Bankası A.Ş. and Vakıf Katılım Bankası A.Ş. Participation banks are subject to the Banking Law and are permitted to engage in financial activities rather than accepting deposits. Each of these participation banks is a member of the PBAT, a cooperative organisation of Turkish participation banks.

Participation banks have been able to increase their market share continuously, with the total assets of participation banks increasing by 64 per cent. in 2021 to exceed TRY 717,320 million at the end of 2021, while their own assets increased by 33 per cent. to reach TRY 36.6 billion with a 33 per cent. increase compared to the same period. Participation banks rounded off 2021 with a net profit of TRY 5.7 billion, while our sector recorded 54 per cent. growth in the funds extended when compared to 2020, and extended TL 369 billion of support to the markets. Participation banks raised a total of TRY 226.6 billion, USD 4.5 billion and 2 billion Malaysian Ringgit in funds through sukuk issuance between 2010 and the end of 2021. The total volume of sukuk issued by participation banks in 2021 reached TRY 96,938 million.

Participation bank's structure their products and provide services on an interest-free basis. Accordingly, participation banks may collect funds in two ways:

- (i) **"special current accounts"** (an account that consists of funds that can be partially or fully withdrawn by a depositor. No payment of interest or income is made to the account holder); and
- (ii) **"participation accounts"** (an account that consists of funds that yield a participation in the loss or profit arising from their use by the relevant participation bank. Such accounts do not require payments of pre-determined return).

Participation banks may designate special fund pools exclusively for the financing of predetermined projects and other investments. Such funds are utilised in separate pools as per their maturities and are segregated from other pools of accounts. The BRSA must be informed within 15 days of the formation of special fund pools and must be updated as to the status of such pools at three-month intervals. Such special fund pools must remain open for a minimum of one month and must be liquidated at the end of the financing period.

Furthermore, participation banks may collect funds via: (i) *Shari'a* compliant capital markets instruments (including lease certificates (sukuk)); (ii) Sharia Compliant bilateral and syndicated loans. Generally, participation banks take loan in the form of murabaha and wakala structures.

The table below sets out the six participation banks in Türkiye as at 31 December 2021 (the latest date for which the PBAT has issued its annual sector report):

Bank	Total Assets as at 31 December 2021	2021/2020 Change in Total Assets (per cent.)
	(TRY in thousands)	
Kuveyt Türk .....	254,068,260	67
Türkiye Finans .....	115,643,263	42
Albaraka Türk .....	108,955,123	57
Ziraat Katılım .....	98,312,592	63
Vakıf Katılım .....	100,757,086	90
Emlak Katılım .....	38,759,900	90

## COMPETITION

The Turkish banking industry is highly competitive, but Ziraat Katılım's management believes that it is well-positioned to compete in the market. Ziraat Katılım principally competes with the five other participation banks in Türkiye but also faces competition from the rest of the Turkish banking industry.

The total number of domestic and international branches of the six participation banks operating in Türkiye increased by 4.5 per cent. to reach 1,311 in 2021. The branches of participation banks accounted for about 12 per cent. of the total branch network of the banking sector, which consists of 11,098 branches. As of the end of 2021, the total number of employees working in participation banks increased by 1.8 per cent. compared to the previous year to reach 17,147. The unconsolidated total asset volume of the six participation banks operating in Türkiye increased by 64.1 per cent. in 2021 compared to the previous year to reach TRY 717.3 billion. The net profit of participation banks increased by 47.1 per cent. from TRY 3.7 billion in 2020 to TRY 5.5 billion in 2021. Total shareholders' equity, on the other hand, increased by 31.4 per cent. to reach TRY 31.3 billion. Kuveyt Türk achieved the highest net profit among participation banks in 2021, at TRY 2,501.7 million, followed by Vakıf Katılım (TRY 1,239.4 million), Türkiye Finans (TRY 921 million), Ziraat Katılım (TRY 558.7 million), Emlak Participation (TRY 143.1 million) and Albaraka Türk (TRY 104.4 million). Vakıf Katılım was the bank to achieve the biggest increase in net profit compared to the end of 2020, with an increase of 86 per cent.. It was followed by Kuveyt Türk, whose net profit increased by 79 per cent.. In 2021, Kuveyt Türk was the participation bank with the largest asset base in Türkiye, at TRY 254.1 billion, followed by Türkiye Finans (TRY 115.6 billion), Albaraka Türk (TRY 109 billion), Vakıf Katılım (100.7 billion), Ziraat Katılım (TRY 98.3 billion) and Emlak Katılım (TRY 38.7 billion). As of the end of 2021, Ziraat Katılım had increased its total assets by 64 per cent. year-on-year and achieved a balance sheet size of TRY 98.5 billion.

Ziraat Katılım continued to support the financing of the real sector, especially SMEs, in 2021. The volume of cash funds disbursed by Ziraat Katılım during 2021 increased by 57 per cent. compared to the end of the previous year, to reach TRY 66.4 billion. On the other hand, non-cash funds grew by 86 per cent. to reach TRY 29.6 billion. Ziraat Katılım's total support to the Turkish economy reached TRY 96 billion. The volume collected funds increased by 68 per cent. year on year in 2021 to reach TRY 78 billion. In 2021, Ziraat Katılım's NPL ratio remained significantly lower than the sector average, at just 2.5 per cent. Ziraat Katılım successfully performed 25 lease certificate issuances in 2021, with a total amount of TRY 11.1 billion. Ziraat Katılım plays an active role in the capital markets as part of its strategy of enriching its resource structure. Ziraat Katılım obtained approval from the Capital Markets Board for lease certificate ceilings of TRY 1 billion, TRY 12 billion and TRY 15 billion in order to issue lease certificates in Turkish lira in the local market with its subsidiaries Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş. Since the date of its foundation until the end of 2021, Ziraat Katılım had issued lease certificates of TRY 36.9 billion in batches with different compositions within this framework.

## **TURKISH REGULATORY ENVIRONMENT**

### **REGULATORY INSTITUTIONS**

Turkish banks and branches of foreign banks in Türkiye are primarily governed by two regulatory authorities in Türkiye, the BRSA and the Central Bank.

#### **The Role of the BRSA**

In June 1999, the Banks Act No. 4389 (which has been replaced by the Banking Law) established the BRSA. The BRSA supervises the application of banking legislation, monitors the banking system and is responsible for ensuring that banks observe banking legislation.

Articles 82 and 93 of the Banking Law state that the BRSA, having the status of a public legal entity with administrative and financial autonomy, is established in order to ensure application of the Banking Law and other relevant acts, to ensure that savings are protected and to carry out other activities as necessary by issuing regulations within the limits of the authority granted to it by the Banking Law. The BRSA is obliged and authorised to take and implement any decisions and measures in order to prevent any transaction or action that might jeopardise the rights of depositors and the regular and secure operation of banks and/or might lead to substantial damages to the national economy, as well as to ensure efficient functioning of the credit system.

The BRSA has responsibility for all banks operating in Türkiye, including development and investment banks, foreign banks and participation banks. The BRSA sets various mandatory ratios such as reserve levels, capital adequacy and liquidity ratios. In addition, all banks must provide the BRSA, on a regular and timely basis, information adequate to permit off-site analysis by the BRSA of such bank's financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditor's reports.

The BRSA conducts both on-site and off-site audits and supervises implementation of the provisions of the Banking Law and other legislation, examination of all banking operations and analysis of the relationship and balance between assets, receivables, equity capital, liabilities, profit and loss accounts and all other factors affecting a bank's financial structure.

#### **The Role of the Central Bank**

The Central Bank was founded in 1930 and performs the traditional functions of a central bank, including the issuance of bank notes, determining the exchange rate regime in Türkiye jointly with the government and to design and implement this regime, maintenance of price stability and continuity, regulation of the money supply, management of official gold and foreign exchange reserves, monitoring of the financial system and advising the government on financial matters. The Central Bank exercises its powers independently of the government. The Central Bank is empowered to determine the inflation target together with the government, and to adopt a monetary policy in compliance with such target. The Central Bank is the only authorised and responsible institution for the implementation of such monetary policy.

The Central Bank has responsibility for all banks operating in Türkiye, including foreign banks. The Central Bank sets mandatory reserve levels. In addition, each bank must provide the Central Bank, on a current basis, information adequate to permit off-site evaluation of its financial performance, including balance sheets, profit and loss accounts, board of directors' reports and auditor's reports.

Pursuant to amendments introduced to the Banking Law in 2020, the Central Bank has been empowered to determine maximum interest rates for lending and deposit-taking activities of banks, as well as caps on fees, expenses and commissions charged by banks to their clients for any sort of activity.

#### **The Participation Banks Association of Türkiye**

The **PBAT**, established in accordance with the Banking Law, acts as an organisation with limited supervision and coordination in respect of participation banks. All participation banks in Türkiye are obliged to become members of this association. As the representative body of the participation banking sector, the association aims to examine, protect and promote its members' professional interests; however, despite its regulatory and disciplinary functions, it does not possess any powers to regulate participation banking. This remains the responsibility of the BRSA.

## SHAREHOLDING

The direct or indirect acquisition by a Person of shares that represent 10 per cent. or more of the share capital of any bank or the direct or indirect acquisition or disposition of such shares by a Person if the total number of shares held by such Person increases above or falls below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of a bank, requires the permission of the BRSA in order to preserve full voting and other shareholders' rights associated with such shares. In addition, irrespective of the thresholds above, an assignment and transfer of privileged shares with the right to nominate a member to the board of directors or audit committee (or the issuance of new shares with such privileges) is also subject to the authorisation of the BRSA. Additionally, the direct or indirect acquisition or transfer of any shares of a legal entity that owns 10 per cent. or more of the share capital of a bank is subject to the BRSA's approval if such transfer results in the total number of such legal entity's shares directly or indirectly held by a shareholder increasing above or falling below 10 per cent., 20 per cent., 33 per cent. or 50 per cent. of the share capital of such legal entity. If such approval is not obtained, then the relevant shares would merely entitle their owner to the right to dividends whereas the voting and other shareholder rights would be exercised by the SDIF.

The board of directors of a bank is responsible for taking necessary measures to ascertain that shareholders attending a general assembly have obtained the applicable authorisations from the BRSA. If the BRSA determines that a shareholder has exercised voting or other shareholders' rights (other than the right to collect dividends) without due authorisation as described in the preceding paragraph, then it is authorised to direct the board of directors of a bank to start the procedure to cancel such applicable general assembly resolutions (including by way of taking any necessary precautions concerning such banks within its authority under the Banking Law if such procedure has not been started yet). If the shares are obtained on the stock exchange, then the BRSA may also impose administrative fines on shareholders who exercise their rights or acquire or transfer shares as described in the preceding paragraph without authorisation by the BRSA. In the case that the procedure to cancel such general assembly resolutions is not yet started, or such transfer of shares is not deemed appropriate by the BRSA even though the procedure to cancel such general assembly resolutions is started, then, upon the notification of the BRSA, the SDIF has the authority to exercise such voting and other shareholders' rights (other than the right to collect dividends and priority rights) attributable to such shareholder.

## FINANCING LIMITS

### *Lending Limits*

The Banking Law sets out certain lending limits for banks and other financial institutions designed to protect those institutions from excessive exposure to any one counterparty (or group of related counterparties). In particular:

- (a) Credits extended to a natural person, a legal entity or a risk group (as defined under Article 49 of the Banking Law) in the amounts of 10 per cent. or more of a bank's shareholders' equity are classified as large credits and the total of such credits cannot be more than eight times the bank's shareholders' equity.
- (b) The Banking Law restricts the total financial exposure (including extension of credits, issuance of guarantees, etc.) that a bank may have to any one customer or a risk group directly or indirectly to 25 per cent. of its equity capital. Furthermore, a bank, its shareholders holding 10 per cent. or more of the bank's voting rights or the right to nominate board members, its board members, its general manager, its deputy general managers and, notwithstanding their title, its managers employed in equivalent or higher positions (in each case, and their respective spouses and children) and partnerships directly or indirectly, individually or jointly, controlled by any of such persons or a partnership in which such persons participate with unlimited liability or in which such persons act as a member of the board of directors or general managers constitute a risk group, for which the lending limits are reduced to 20 per cent. of a bank's equity capital, subject to the BRSA's discretion to increase such lending limits up to 25 per cent. or to lower it to the legal limit.
- (c) Loans extended to a bank's shareholders (irrespective of whether they are controlling shareholders or they own qualified shares) registered with the share ledger of the bank holding more than 1 per

cent. of the share capital of the bank and their risk groups may not exceed 50 per cent. of the bank's capital equity.

Non-cash loans, futures and option contracts and other similar contracts, avals, guarantees and suretyships, transactions carried out with credit institutions and other financial institutions, transactions carried out with the central governments, central banks and banks of the countries accredited with the BRSA, as well as bills, bonds and similar capital market instruments issued or guaranteed to be paid by them, and transactions carried out pursuant to such guarantees are taken into account for the purpose of calculation of loan limits within the framework of principles and ratios set by the BRSA.

Pursuant to Article 55 of the Banking Law, the following transactions are exempt from the above-mentioned financing limits:

- (a) transactions backed by cash, cash-like instruments and accounts and precious metals,
- (b) transactions carried out with the Turkish Treasury, the Central Bank, the Privatisation Administration, the Housing Development Administration of Türkiye, Türkiye's sovereign wealth fund (Türkiye Varlık Fonu) and its management company (Türkiye Varlık Fonu Yönetimi A.S.) as well as transactions carried out against bills, bonds and other securities issued by or payment of which is guaranteed by these institutions,
- (c) transactions carried out in money markets established by the Central Bank or pursuant to special laws,
- (d) in the event a new loan is extended to the same Person or to the same risk group (but excluding checks and credit cards), any increase due to the volatility of exchange rates, taking into consideration the current exchange rate of the loans made available earlier in foreign currency (or exchange rate), at the date when the new loan was extended; as well as interest accrued on overdue loans, dividends and other elements,
- (e) equity participations acquired due to any capital increases at no cost and any increase in the value of equity participations not requiring any fund outflow,
- (f) transactions carried out among banks on the basis set out by the BRSA,
- (g) equity participations acquired through underwriting commitments in public offerings; **provided that** such participations are disposed of in a manner and at a time determined by the BRSA,
- (h) transactions that are taken into account as deductibles in calculation of equity, and
- (i) other transactions to be determined by the BRSA.

#### ***Expected Credit Losses***

Pursuant to Article 53 of the Banking Law, banks must formulate, implement and regularly review policies regarding compensation for losses that have arisen or are likely to arise in connection with loans and other receivables and to reserve an adequate level of provisions against depreciation or impairment in the value of other assets, for qualification and classification of assets, receipt of guarantees and securities and measurement of their value and reliability. In addition, such policies must address issues such as monitoring loans under review, write-off of such loans in accordance with Turkish Financial Reporting Standards as published by the POA, follow-up procedures and the repayment (including restructuring) of loans. All special provisions set aside for loans in accordance with this article are considered to be expenditures deductible from the corporate tax base in the year in which they are set aside. Loans written off as per this article due to the loss of recovery possibility after setting aside special provisions are to be recorded as bad debt.

Procedures relating to expected credit losses for NPLs are set out in Article 53 of the Banking Law and in regulations issued by the BRSA (principally through the Classification of Loans and Provisions Regulation, which entered into force as of 1 January 2018 and replaced the former regulation). Pursuant to the Classification of Loans and Provisions Regulation, banks are required to classify their loans and other receivables into one of the following groups:

- (a) *Group I: Loans of a Standard Nature and Other Receivables:* This group involves each loan (which, for purposes of the Classification of Loans and Provisions Regulation, includes other receivables; and shall be understood as such elsewhere in this Prospectus):

- (i) that has been disbursed to financially creditworthy natural persons and legal entities;
- (ii) the principal and interest payments of which have been structured according to the solvency and cash flow of the debtor;
- (iii) repayments of which have been made within due dates or have not been overdue for more than 30 days, for which no reimbursement problems are expected in the future, and that have the ability to be collected in full without recourse to any collateral;
- (iv) for which no weakening of the creditworthiness of the applicable debtor has been found; and
- (v) to which 12 month expected credit loss reserve applies under TFRS 9.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) announced a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (iii) is replaced with 90 days, resulting in a 60-day extension in the period for loans remaining categorised as Group I loans before being categorised as Group II loans. On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021, which (on 17 June 2021) was then further extended through 30 September 2021. On 16 September 2021, the BRSA announced that, notwithstanding the expiration of this temporary rule on 30 September 2021, it would still apply to loans classified (as per this provisional measure) as Group I loans that were overdue for more than 31 days but not more than 90 days as of 1 October 2021.

- (b) *Group II: Loans Under Close Monitoring:* This group involves each loan:

- (i) that has been extended to financially creditworthy natural and legal persons and where negative changes in the debtor's solvency or cash flow have been observed or predicted due to adverse events in macroeconomic conditions or in the sector in which the debtor operates, or other adverse events solely related to the respective debtor;
- (ii) that needs to be closely monitored due to reasons such as significant financial risk carried by the debtor at the time of the utilisation of the loan;
- (iii) in connection with which problems are likely to occur as to principal and interest payments under the conditions of the loan agreement, and where such problems (in case not resolved) might result in non-payment risk before recourse to any security;
- (iv) although the credit standing of the debtor has not weakened in comparison with its credit standing on the day the loan is granted, there is likelihood of such weakening due to the debtor's irregular and unmanageable cash flow;
- (v) the collection of principal and/or interest payments of which are overdue for more than 30 but less than 90 days following any payment due date (including the maturity date) for reasons that cannot be interpreted as a weakening in credit standing;
- (vi) in connection with which the credit risk of the debtor has notably increased pursuant to TFRS 9;
- (vii) repayments of which are fully dependent upon security and the net realisable value of such security falls under the receivable amount;
- (viii) that has been subject to restructuring when monitored under Group I or Group II without being subject to classification as an NPL; or
- (ix) that has been subject to restructuring while being monitored as an NPL and classified as a performing loan upon satisfaction of the relevant conditions stated in the regulation.

On 27 March 2020 (with retroactive effect from 17 March 2020), the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) announced a temporary rule (effective until 31 December 2020) providing that the 30 days referred to in clause (v) is replaced with 90 days, resulting in a 60-day extension in the period for loans remaining categorised as Group I loans before being categorised as Group II loans. On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021, which (on 17 June 2021) was then further extended through 30 September 2021. On 16 September 2021, the BRSA announced that, notwithstanding the expiration of this temporary rule on 30 September 2021, it would still apply to loans classified (as per this provisional measure) as Group II loans that were overdue for more than 91 days but not more than 180 days as of 1 October 2021.

(c) *Group III: Loans with Limited Recovery:* This group involves each loan:

- (i) in connection with which the debtor's creditworthiness has weakened;
- (ii) that demonstrates limited possibility for the collection of the full amount due to the insufficiency of net realisable value of the security or the debtor's resources to meet the collection of the full amount on the due date without any recourse to the security, and that would likely result in losses in case such problems are not resolved;
- (iii) collection of the principal and interest (or both) of which has/have been delayed for more than 90 days but not more than 180 days from the payment due date;
- (iv) in connection with which the bank is of the opinion that collection by the bank of the principal or interest of the loan or both will be delayed for more than 90 days from the payment due date owing to reasons such as the debtor's difficulties in financing working capital or in creating additional liquidity as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or other adverse events solely related to the debtor; or
- (v) that has been classified as a performing loan after restructuring but principal and/or interest payments of which have been overdue for more than 30 days within one year of restructuring or have been subject to another restructuring within a year of a previous restructuring.

On 17 March 2020, the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) implemented a temporary rule (effective until 31 December 2020) providing that the 90 days referred to in clauses (iii) and (iv) are replaced with 180 days, resulting in loans remaining categorised as Group II loans longer. The temporary rule did not provide any guidance as to classification of loans with payment delays of more than 180 days; however, it might be the case that such loans would bypass Group III and become Group IV loans. This temporary rule also suspended the application of clause (v) through 31 December 2020. On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021, which (other than the suspension of the application of clause (v)) was on 17 June 2021 further extended through 30 September 2021. On 16 September 2021, the BRSA announced that, notwithstanding the expiration of this temporary rule on 30 September 2021, it would still apply to loans classified (as per this provisional measure) as Group II loans that were overdue for more than 91 days but not more than 180 days as of 1 October 2021.

(d) *Group IV: Loans with Suspicious Recovery:* This group involves each loan:

- (i) principal and/or interest payments of which will probably not be repaid in full under the terms of the loan agreement without recourse to any collateral;
- (ii) in connection with which the debtor's creditworthiness has significantly deteriorated, but which loan is not considered as an actual loss due to expected factors such as merger, the possibility of finding new financing or a capital increase to enhance the debtor's credit standing or the possibility of the credit being collected;
- (iii) the collection of principal and/or interest payments of which has been overdue for more than 180 days but less than one year following any payment due date (including the maturity date); or

- (iv) the collection of principal and/or interest payments of which is expected to be overdue for more than 180 days following any payment due date (including the maturity date) as a result of adverse events in macroeconomic conditions or in the sector in which the debtor operates or adverse events solely related to the debtor.
- (e) *Group V: Loans Having the Nature of Loss:* This group involves each loan:
  - (i) for which, as a result of the complete loss of the debtor's creditworthiness, no collection is expected or only a negligible part of the total receivable amount is expected to be collected;
  - (ii) although having the characteristics stated in Groups III and IV, the collection of the total receivable amount of which, albeit due and payable, is unlikely within a period exceeding one year; or
  - (iii) the collection of principal and/or interest payments of which has been overdue for more than one year following any payment due date.

Pursuant to the Classification of Loans and Provisions Regulation, the following loans are classified as NPLs: (a) loans that are classified under Groups III, IV and V, (b) loans the debtors of which are deemed to have defaulted pursuant to the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches (published in the Official Gazette dated 23 October 2015 and numbered 29511) or (c) loans to which, as a result of debtor's default, the lifetime expected credit loss reserve applies under TFRS 9. Financial guarantees are also classified as NPLs on the basis of their nominal amounts in case where: (i) a risk of a compensation claim by the creditor has occurred or (ii) the debt assumed under the relevant financial guarantee falls within the scope of any of the circumstances stated in clause (a), (b) or (c). If several loans have been extended to a debtor by the same bank and any of these loans is classified as an NPL, then all other loans extended to such debtor by such bank shall also be classified as NPLs; however, for consumer loans, even if any of these loans is classified as an NPL, other consumer loans granted to the same debtor may be classified in the respective applicable group other than Group I. According to the decisions of the BRSA dated 15 November 2018 and numbered 8095 and dated 1 August 2019 and numbered 5477, CGF-guaranteed loans (which are supported by the Turkish Treasury) and loans restructured within the scope of the Framework Agreement will not be classified as NPLs unless there is an overdue amount for more than 90 days following the due date; however, pursuant to March 2020 amendments to the rules, the 90 day limit was increased to 180 days until 31 December 2020. On 8 December 2020, the BRSA extended this temporary rule until 30 June 2021, which (on 17 June 2021) was then further extended through 30 September 2021. On 16 September 2021, the BRSA announced that, notwithstanding the expiration of this temporary rule on 30 September 2021, it would still apply to loans that were overdue for more than 91 days but not more than 180 days as of 1 October 2021. On 8 July 2021, the BRSA published amendments to the Regulation on Loan Transactions of Banks, pursuant to which amendments a resolution mechanism regarding restructured loans and NPLs is required to be implemented by banks whose gross NPLs are equal to or exceed 0.5 per cent. of the total NPLs in the Turkish banking sector.

On 27 November 2019, the BRSA published an amendment to the Classification of Loans and Provisions Regulation, which was retroactively made effective from 19 July 2019. According to this amendment, if the portion of a loan for which a lifelong expected loan loss provision or special provision has been set aside due to the debtor's default and that is classified under Group V is not reasonably expected to be recovered, then such portion/loan may (as an accounting matter) be written down within the scope of TFRS 9 as of the first fiscal reporting period following its classification under Group V. On 6 July 2021, the BRSA further amended the Classification of Loans and Provisions Regulation, pursuant to which amendments banks are allowed to write-down such portion/loan within a period that is deemed appropriate by the bank; however, banks are required to justify and record the relevant time period and have the relevant documents available for audit.

The Classification of Loans and Provisions Regulation includes detailed rules and criteria in relation to concepts of the "reclassification" and "restructuring" of loans. The reclassification of NPLs as performing loans is subject to the following conditions: (a) all overdue repayments that have caused the relevant loan to be classified as an NPL have been collected in full without any recourse to any security, (b) as of the date of the reclassification, there has not been any overdue repayment and the last two repayments preceding such date (except the repayments mentioned in clause (a)) have been realised in full by their due date, and (c) conditions for such loans to be classified under Group I or II have been fulfilled. Furthermore, loans

that have been fully or partially written-down by the banks in their assets, security for which loans has been enforced to satisfy the debt or repayment of which has been made in kind, cannot be classified as a performing loan. On 6 July 2021, the BRSA introduced amendments to the Classification of Loans and Provisions Regulation, pursuant to which amendments banks are required to keep the criteria for reclassification of NPLs in written form and make the relevant documents available for audit. According to non-public BRSA decisions dated 8 November 2019 and 8 December 2020, loans that are partially repaid through the foreclosure on collateral or have been paid in kind were exempt from this regulation through 30 June 2021.

The restructuring of a loan consists of: (a) amendments to the conditions of the loan agreement or (b) partial or full refinancing of the loan. In this respect, an NPL may be reclassified as a restructured loan under Group II subject to the following conditions: (i) upon evaluation of the financial standing of the debtor, it has been determined that the conditions for the applicable loan to be classified as an NPL have disappeared, (ii) the loan has been monitored as an NPL at least for one year following restructuring, (iii) as of the date of reclassification as a Group II loan, there has not been any delay in principal and/or interest payments nor are there any expectation of any such delay in the future, and (iv) overdue payments and/or written-down principal payments in relation to the restructured loan have been collected. According to a non-public BRSA decision on 8 November 2019, the one year period described in clause (ii) was reduced to six months; however, per the decision of the BRSA dated 17 June 2021, such rule was terminated as at 30 June 2021. Furthermore, such restructured NPL being reclassified as a performing Group II loan may be excluded from the scope of the restructuring if all the following conditions are met: (A) such loan has been monitored as a restructured loan under Group II at least for one year, (B) at least 10 per cent. of the outstanding debt amount has been repaid during such one year monitoring period, (C) there has not been any delay of more than 30 days in principal and/or interest payments of any loan extended to the applicable debtor during such monitoring period and (D) the financial difficulty that led to the restructuring of the loan no longer exists. Pursuant to the Classification of Loans and Provisions Regulation, banks applying TFRS 9 may reclassify their performing loans, which had been previously classified as restructured loans under Group II, under Group I again following a minimum three month monitoring period, subject to the satisfaction of the requirements listed under clauses (C) and (D) above (regardless of the conditions under clauses (A) and (B) stated above). In addition, the modification of a contract and/or partially or totally refinancing a Group I loan of a debtor who is not in financial difficulty is not considered to be a restructuring and such loans can continue to be classified under Group I.

Pursuant to the Classification of Loans and Provisions Regulation, the general rule is that banks shall apply provisions for their loans pursuant to TFRS 9; however, the BRSA may, on an exceptional basis, authorise a bank to apply the applicable provisions set forth in the Classification of Loans and Provisions Regulation instead of those required by TFRS 9, subject to the presence of detailed and acceptable grounds. With respect to the requirements under TFRS 9, "twelvemonths expected credit loss reserve" and "lifetime expected credit loss reserve set aside due to significant increase in credit risk profile of the debtor" are considered as general provisions while "lifetime expected credit loss reserve set aside due to debtor's default" is considered as special provisions.

Under Articles 10 and 11 of the Classification of Loans and Provisions Regulation, banks that have been authorised not to apply provisions under TFRS 9 are required to set aside general provisions for at least 1.5 per cent. and 3.0 per cent. of their total cash loans portfolio under Groups I and II, respectively. For non-cash loans, undertakings and derivatives, general provisions to be set aside are calculated by applying the foregoing percentages to the risk-weighted amounts determined pursuant to the Capital Adequacy Regulation. Subject to the presence of a written pledge or assignment agreement, loans secured with cash, deposit, participation funds and gold deposit accounts, bonds that are issued by the Turkish government (including the Central Bank) and guarantees and sureties provided by such are not subject to the general set aside calculation. Loans extended to the Turkish government (including the Central Bank) are not required to be considered in such calculation. As to special provisions, banks are required to set aside provisions for NPLs under Groups III, IV and V of at least 20 per cent., 50 per cent., and 100 per cent., respectively, of the incurred credit loss.

For general provisions, banks are required to set aside provisions (separately) as per country risks and transfer risks, and, for special provisions, banks are required to consider country risks and transfer risks. In addition, the BRSA may increase such provision requirements for certain banks or loans taking into account the concentration, from time to time, of matters such as the size, type, due date, currency, interest structure, sector to which loans are extended, geographic circumstances, collateral and the credit risk level and management.

Regarding the monitoring of security by the banks that have been authorised not to apply provisions under TFRS 9, the Classification of Loans and Provisions Regulation increased the number of categories on collaterals (from four to five), amended the content of such categories, and amended the proportions to be deducted, in order to determine the net realizable values of the collaterals, from the borrower's NPLs as follows:

Category	Discount Rate
Category I collateral	100 per cent.
Category II collateral	80 per cent.
Category III collateral	60 per cent.
Category IV collateral	40 per cent.
Category V collateral	20 per cent.

According to amendments to the Equity Regulation and the Capital Adequacy Regulation that became effective as of 1 January 2022, general provisions would, from that date, no longer be allowed to be included in a bank's supplementary capital (i.e., tier 2 capital); however, on 24 December 2021, the BRSA revoked these amendments. As such, these general provisions are included in supplementary capital and not deducted from a bank's risk-weighted assets.

## **CAPITAL ADEQUACY**

Article 45 of the Banking Law defines "capital adequacy" as having adequate capital against losses that could arise from the risks encountered. Pursuant to the same article, banks must calculate, achieve, maintain and report their capital adequacy ratio, which, within the framework of the BRSA's regulations, cannot be less than 8 per cent. (excluding capital buffers). In addition, as a prudential requirement, the BRSA requires a target capital adequacy ratio that is 4 per cent. higher than the regulatory capital ratio of 8 per cent. (in each case, excluding capital buffers).

The BRSA is authorised to increase the minimum capital adequacy ratio and the minimum consolidated capital adequacy ratio, to set different ratios for each bank and to revise risk weights of assets that are based upon participation accounts, but must consider each bank's internal systems as well as its asset and financial structures.

The Equity Regulation defines capital of a bank as the sum of: (a) principal capital (i.e., tier 1 capital), which is composed of core capital (i.e., common equity tier 1 capital) and additional principal capital (i.e., additional tier 1 capital) and (b) supplementary capital (i.e., tier 2 capital) minus capital deductions. Pursuant to the Capital Adequacy Regulation, which entered into force on 31 March 2016: (i) both the unconsolidated and consolidated minimum common equity tier 1 capital adequacy ratios are 4.5 per cent. and (ii) both unconsolidated and consolidated minimum tier 1 capital adequacy ratios are 6.0 per cent..

The BRSA published several new regulations and communiqués or amendments to its existing regulations and communiqués (as published in the Official Gazette No. 29511 dated 23 October 2015 and No. 29599 dated 20 January 2016) in accordance with the Regulatory Consistency Assessment Programme ("RCAP") of the Basel Committee on Banking Supervision (the "Basel Committee"), which is conducted by the Bank for International Settlements (the "BIS") with a view to ensure Türkiye's compliance with Basel regulations. These included amendments to the Equity Regulation and the entry into force of the Capital Adequacy Regulation, both on 31 March 2016. The Capital Adequacy Regulation sustained the capital adequacy ratios introduced by the former regulation but changed the risk weights of certain items, including: (a) the risk weights of foreign currency-denominated required reserves held with the Central Bank from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA amended its guidance to allow foreign exchange-denominated required reserves held with the Central Bank to be subject to a 0 per cent. risk weight, and (b) the exclusion of the general reserve for possible losses from capital calculations. If, during a fiscal period, general provisions recorded during previous fiscal periods are reversed, then the net income for such later period is increased by the amount of such reversals, which thus increases shareholders' equity.

The Capital Adequacy Regulation also lowered the risk weights of certain assets and credit conversion factors, including reducing: (a) the risk weights of residential mortgage loans from 50 per cent. to 35 per cent., (b) the risk weights of consumer loans (excluding residential mortgage loans) qualifying as retail loans (perakende alacaklar) in accordance with the Capital Adequacy Regulation and instalment payments of credit cards from a range of 100 per cent. to 250 per cent. (on 31 July 2023, the BRSA increased the risk weighting for consumer credit cards (including cash withdrawals and spending) and consumer cash loans (excluding mortgage loans and including overdraft accounts) issued after 31 July 2023 to 150 per cent.); **provided that** such receivables are not reclassified as NPLs, and (c) the credit conversion factors of commitments for credit cards and overdrafts from 20 per cent. to 0 per cent.. As of 7 February 2017, the BRSA published a decision that enables banks to use 0 per cent. risk weightings for Turkish Lira-denominated exposures guaranteed by the CGF and supported by the Turkish Treasury. On 12 June 2018, the BRSA announced its decision (dated 7 June 2018 and numbered 7841) to amend the per customer total risk limit for loans described in clause (b), which is the upper limit for such loans subjected to the 75 per cent. risk weight, from TL 4,200,000 to TL 5,500,000, which was then increased to TL 7,000,000 on 18 January 2019, TL 10,000,000 on 21 December 2021 and TL 20,000,000 on 31 January 2023. In response to the COVID-19 pandemic, on 23 March 2020 and 16 April 2020, the BRSA announced regulatory forbearance measures that allow banks to: (i) use in their calculations of risk-weighted assets for credit risk exposures from March 2020 through 31 December 2020 (as per the decision dated 8 December 2020, extended through 30 June 2021) the foreign exchange rates that are used in their 2019 year-end financial statements, (ii) use 0 per cent. risk weightings for foreign currency-denominated receivables owed by the centralised administration (i.e., Turkish state institutions and other public institutions that do not have a separate legal entity and act under the legal entity of the Turkish sovereign) while calculating the amount of exposure subject to credit risk in accordance with the standardised approach as determined under the Capital Adequacy Regulation and (iii) calculate the level of capital used in capital adequacy ratio calculations by disregarding through 31 December 2020 (as per the BRSA's decision dated 8 December 2020, extended through 30 June 2021) the negative net valuation differences related to securities held as of 23 March 2020 in the portfolio of financial assets at fair value through other comprehensive income; however, on 17 June 2021, the BRSA indefinitely suspended the application of clause (iii) from 30 June 2021, and, as per its decision dated 21 December 2021, ended the suspension other than for the "securities whose fair value difference is reflected in other comprehensive income" were negative as of 21 December 2021 (for "securities after 21 December 2021 whose fair value difference is reflected in other comprehensive income," the relevant provisions of the Regulation on Banks' Equity will continue to be implemented) and, as for the application of clause (i), determined that until such date as determined by the BRSA, banks may use the average of the Central Bank's foreign exchange buying rates during the 252 business days before the calculation date when calculating the risk-weighted amounts of credit risk exposures and the relevant special provision amounts as per TFRS for both cash and non-cash assets other than assets in foreign currency measured on a historical cost basis instead of using the relevant foreign exchange buying rate as of the calculation date (on 21 December 2021, the BRSA announced that, as of 1 January 2022 until otherwise determined by the BRSA, banks shall (if using this approach) use the average of the Central Bank's foreign exchange buying rates during the 252 business days ending on 31 December 2021; on 28 April 2022, the BRSA amended this rule so that, until such date as determined by the BRSA, banks may use the Central Bank's foreign exchange buying rates as at 31 December 2021 in certain capital and other calculations, and on 31 January 2023 the BRSA further amended this rule so that, until such date as determined by the BRSA, banks may use the Central Bank's foreign exchange buying rates as at 30 December 2022 in such calculations).

On 28 April 2022, the BRSA increased the risk-weights applicable to commercial cash loans provided after 1 May 2022 from a range of 20-150 per cent. to 200 per cent.; **provided that** the following are excluded: (a) loans provided to SMEs, financial institutions, individuals and/or certain governmental authorities and their subsidiaries and (b) export and investment loans, agricultural loans and corporate credit cards. On 14 February 2023, as a result of two large earthquakes in Kahramanmaraş on 6 February 2023 that affected 10 different cities, the BRSA announced that such risk-weights shall (until 1 January 2024) not be applied to the personal credit cards and consumer loans and commercial cash loans provided after 6 February 2023 to customers located in the cities affected by such earthquakes. On 23 February 2023, the BRSA extended such provisional measures to other regions that satisfy certain criteria to be considered disaster areas.

On 23 June and 7 July 2022, the BRSA also increased the risk weights applicable to: (i) Turkish Lira- and foreign currency-denominated commercial cash loans to be utilised by Turkish legal or natural residents who have performed derivative transactions with non-residents after 23 June 2022 and (ii) Turkish Lira-denominated commercial cash loans utilised after 30 June 2022 if the lending bank determines that the

documents provided by the borrower are inadequate according to the BRSA's limitations on borrowings by companies with foreign currency-denominated assets above a certain threshold, in each case to 500 per cent. regardless of their credit risk mitigation technique, mortgage or credit rating notes. On 31 July 2023, the BRSA increased the risk weightings for (a) credit card instalment payments (including cash withdrawals and spending), (b) consumer cash loans (including overdraft accounts, auto loans for passenger cars and auto secured loans), and (c) financial leasing transactions with consumers to 150 per cent. for loans issued after 31 July 2023; however, such increased risk weightings shall not be applied to customers located in the cities affected by earthquakes until 1 January 2024.

On 24 August 2023, the BRSA increased the risk weightings to 150 per cent. for loans secured by real estate mortgages when individuals intend to acquire additional real estate, provided that the consumer, their spouse, or their children under the age of 18 already own at least one real estate property (except for those who have shared title deeds in more than one real estate; those who have 50 per cent. or less shares in any real estate title deed will not be taken into account). However, real estate in villages and in places that are converted into neighbourhoods from villages will not be taken into account unless an official letter is received from the relevant special provincial administrations and relevant municipalities stating that the relevant real estate will be taken into consideration within the scope.

Amendments to the Equity Regulation introduced certain limitations to the items that are included in the capital calculations of banks that have issued additional tier 1 and tier 2 instruments prior to 1 January 2014. According to these amendments, tier 2 instruments that were issued (among others) after 1 January 2013 are included in tier 2 calculations only if they satisfy all of the Tier 2 Conditions.

On 11 July 2017, clause 9(8)(b) of the Equity Regulation was repealed. In this context, the excess amount mentioned in Article 57 of the Banking Law (i.e., "the total book value of the real property owned by a bank cannot exceed 50 per cent. of its capital base"), and the commodity goods and properties that banks acquire due to their receivables (e.g., foreclosed-upon collateral) but have not disposed within three years, are no longer deducted from a bank's capital base.

In 2013, the BRSA published the Regulation on Capital Conservation and Countercyclical Capital Buffers, which entered into force on 1 January 2014 and provides additional core capital requirements both on a consolidated and unconsolidated basis. Pursuant to this regulation, the additional core capital requirements are to be calculated by the multiplication of the amount of risk-weighted assets by the sum of a capital conservation buffer ratio and bank-specific countercyclical buffer ratio. According to this regulation, the capital conservation buffer for banks was set at 1.875 per cent. for 2018 and 2.500 per cent. for 2019 and thereafter. Pursuant to decisions of the BRSA, the countercyclical capital buffer required for Turkish banks' exposures in Türkiye was initially set at 0 per cent. of a bank's risk-weighted assets in Türkiye; however, such ratio might fluctuate between 0 per cent. and 2.5 per cent. as announced from time to time by the BRSA. Any increase to the countercyclical capital buffer ratio is to be effective one year after the relevant public announcement, whereas any reduction is to be effective as of the date of the relevant public announcement.

In 2013, the BRSA also published the Regulation on the Measurement and Evaluation of Leverage Levels of Banks (which entered into force on 1 January 2014 with the exception of certain provisions that entered into effect on 1 January 2015), seeking to constrain leverage in the banking system and ensure maintenance of adequate equity on a consolidated and unconsolidated basis against leverage risks (including measurement error in the risk-based capital measurement approach).

In February 2016, the BRSA issued the D-SIBs Regulation in line with the Basel Committee standards, introducing a methodology for assessing the degree to which banks are considered to be systemically important to the Turkish domestic market and setting out the additional capital requirements for those banks classified as D-SIBs. The contemplated methodology uses an indicator-based approach to identify and classify D-SIBs in Türkiye under four different categories: size, interconnectedness, lack of substitutability and complexity. Initially, a score for each bank is to be calculated based upon their 2014 year-end consolidated financial statements by assessing each bank's position against a threshold score to be determined by the BRSA. The D-SIBs Regulation requires banks identified as D-SIBs to maintain a capital buffer depending upon their respective classification. These buffers are applied as 3 per cent. for Group 4 banks, 2 per cent. for Group 3 banks, 1.5 per cent. for Group 2 banks and 1 per cent. for Group 1 banks.

Furthermore, the Regulation on Liquidity Coverage Ratios seeks to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its

liquidity needs for a 30 calendar day period. The Regulation on Liquidity Coverage Ratios provides that the ratio of the high quality asset stock to the net cash outflows, both of which are calculated in line with the regulation, cannot be lower than 100 per cent. in respect of total consolidated and unconsolidated liquidity and 80 per cent. in respect of consolidated and unconsolidated foreign exchange liquidity. The BRSA decision dated 26 December 2014 (No. 6143) on liquidity ratios provides that a 0 per cent. liquidity adequacy ratio limit applies to deposit banks. On 15 August 2017, the BRSA revised from 50 per cent. to 100 per cent. the ratio of required reserves held with the Central Bank that can be included in liquidity calculations. Unconsolidated total and foreign currency liquidity coverage ratios cannot be non-compliant more than six times within a calendar year, which includes non-compliances that have already been remedied.

Pursuant to the Equity Regulation, if a Turkish bank invests in debt instruments of other banks or financial institutions that are already invested in that Turkish bank's additional tier 1 or tier 2 capital, then the amount of such debt instrument (and their issuance premia) are required to be deducted when calculating that Turkish bank's additional tier 1 or tier 2 capital (as applicable).

On 7 June 2018, the BRSA published the Communiqué on Debt Instruments to be included in the Calculation of Banks' Equity, which sets forth procedures and principles for the write-up and write-down of the debt instruments or loans that are included in the calculation of banks' equity (i.e., additional tier 1 and tier 2 capital) as well as procedures and principles related to conversion of such debt instruments into shares.

See also a discussion of the implementation of Basel III in "-Basel Committee - Basel III" below.

### ***Tier 2 Rules***

According to the Equity Regulation, which came into force on 1 January 2014, tier 2 capital shall be calculated by subtracting capital deductions from general provisions that are set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts for receivables (as the case may be, depending upon the method used by the bank to calculate the credit risk amounts of the applicable receivables) and the debt instruments that have been approved by the BRSA upon the application of the board of directors of the applicable bank along with a written statement confirming compliance of the debt instruments with the conditions set forth below and their issuance premia (the "Tier 2 Conditions"):

- (a) the debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash,
- (b) in the event of dissolution of the bank, the debt instrument shall have priority over debt instruments that are included in additional tier 1 capital and shall be subordinated with respect to rights of deposit holders and all other creditors,
- (c) the debt instrument shall not be related to any derivative operation or contract, nor shall it be tied to any guarantee or security, in one way or another, directly or indirectly, in a manner that violates the condition stated in clause (b),
- (d) the debt instrument must have an initial maturity of at least five years and shall not include any provision that may incentivise prepayment, such as dividends and increase of interest rate,
- (e) if the debt instrument includes a prepayment option, such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:
  - (i) the bank should not create any market expectation that the option will be exercised by the bank, and
  - (ii) (A) the debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on the bank's ability to sustain its operations or (B) following the exercise of the option, the equity of the bank shall exceed the higher of: (1) the capital adequacy requirement that is to be calculated pursuant to the Capital Adequacy Regulation along with the BRSA's Regulation on Capital Conservation and Countercyclical Capital Buffers published on 5 November

2013, (2) the capital requirement derived as a result of an ICAAP of the bank and (3) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a prepayment option may be exercised; **provided that** the above conditions in this clause (e) are met and the BRSA approves,

- (f) the debt instrument shall not provide investors with the right to demand early amortisation except for during a bankruptcy or dissolution process relating to the issuer,
- (g) the debt instrument's dividend or interest payments shall not be linked to the creditworthiness of the issuer,
- (h) the debt instrument shall not be: (i) purchased by the issuer or by corporations controlled by the issuer or significantly under the influence of the issuer or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by the issuer itself,
- (i) if there is a possibility that the bank's operating licence would be cancelled or the probability of the transfer of the management of the bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the losses incurred by the bank, then removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates for the absorption of the loss would be possible if the BRSA so decides,
- (j) in the event that the debt instrument has not been issued by the bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to the bank or its consolidated entity (as the case may be) in accordance with the rules listed above, and
- (k) the repayment of the principal of the debt instrument before its maturity is subject to the approval of the BRSA and the approval of the BRSA is subject to the same conditions as the exercise of the prepayment option as described in clause (e).

Loans (as opposed to securities) that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of the Tier 2 Conditions (except for the CMB approval condition stated in clause (a) of the Tier 2 Conditions) are met also can be included in tier 2 capital calculations.

In addition to the conditions that need to be met before including debt instruments and loans in the calculation of tier 2 capital, the Equity Regulation also provides a limit for inclusion of general provisions to be set aside for receivables and/or the surplus of provisions and capital deductions with respect to expected loss amounts of receivables; however, the portion of surplus of this amount that exceeds general provisions is not taken into consideration in calculating the tier 2 capital.

Furthermore, in addition to the Tier 2 Conditions stated above, the BRSA may require new conditions for each debt instrument and the procedure and principles regarding the removal of the debt instrument from the bank's records or the debt instrument's conversion to share certificates are determined by the BRSA.

Under Article 8(2)(g) of the Equity Regulation, to be eligible for inclusion as tier 2 capital, it must be possible pursuant to the terms of such capital that such capital be written down and/or converted into equity of the relevant bank upon the decision of the BRSA in the event that it is probable that: (a) the operating licence of such bank may be revoked or (b) shareholders' rights (except to dividends) and the management and supervision of such bank may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law.

Debt instruments and loans that are approved by the BRSA are included in accounts of tier 2 capital as of the date of transfer to the relevant accounts in the applicable bank's records. Loans and debt instruments that have been included in tier 2 capital calculations and that have less than five years to maturity shall be included in tier 2 capital calculations after being reduced by 20 per cent. each year.

#### ***Additional Tier 1 Capital Rules***

Under Article 7(2)(i) of the Equity Regulation, in order for a debt to qualify as additional tier 1 capital of a bank, the bank must be entitled pursuant to the terms of that debt to write-down or convert into equity (but

not necessarily both) such debt upon the common equity tier 1 capital adequacy ratio(s) of such bank, on a consolidated or non-consolidated basis, falling below 5.125 per cent.. In such a case, such bank is required to promptly notify the BRSA and an amount of such debt must be written-down and/or converted into equity, in each case to the extent necessary so as to restore the applicable such common equity tier 1 capital adequacy ratio(s) to at least 5.125 per cent.. As a result of such a write-down: (a) in the event of the liquidation of the bank, the claims of the holders of such debt must be reducible via write-down, (b) in the event of the exercise of the redemption option, the amount redeemed will be the then-outstanding principal amount (i.e., after any write-downs and write-ups) as opposed to their original principal amount, and (c) dividend and interest payments on such debt must be partially or completely cancellable.

In addition, Article 7(2)(j) of the Equity Regulation provides that, in order for a debt to qualify as additional tier 1 capital, it must be possible, pursuant to the terms of that debt, for such debt to be written down or converted into equity (but not necessarily both) upon the decision of the BRSA if it is probable that: (a) the bank's operating licence might be revoked or (b) such bank may be transferred to the SDIF, in each case pursuant to Article 71 of the Banking Law.

Prior to any determination of non-viability of a bank under Article 71 of the Banking Law, the BRSA may require a number of corrective, rehabilitative and/or restrictive actions to be taken by the bank in accordance with Articles 68, 69 and 70 of the Banking Law, including as described in "-Cancellation of Banking License." In the event that: (a) such actions are not (in whole or in part) taken by such bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA may determine that such bank is non-viable under Article 71 of the Banking Law.

*Calculation of Additional Tier 1 Capital.* According to the Equity Regulation, the amount of additional tier 1 capital shall be calculated by subtracting capital deductions from the sum of: (a) shares with preferential rights that are not included in common equity tier 1 capital (except for such shares that require the distribution of dividends in the future), (b) share premia resulting from the issuance of such shares with preferential rights and (c) debt that has been approved by the BRSA (and related issuance premia) as eligible for inclusion in the calculation of additional tier 1 capital. The Equity Regulation sets out that, in order for a debt instrument to be included in the calculation of additional tier 1 capital, the following conditions need to be met:

- (a) such debt instrument shall have been issued by the bank and approved by the CMB and shall have been fully collected in cash,
- (b) in the event of dissolution of such bank, such debt instrument shall be subordinated with respect to debt that is included in tier 2 capital and rights of deposit holders and all other creditors (other than other additional tier 1 capital),
- (c) such debt instrument shall not be linked to any derivative operation or contract, nor shall it be linked to any guarantee or security (in Turkish: teminat), in one way or another, directly or indirectly, in a manner that violates the condition stated in clause (b),
- (d) such debt instrument shall not have a maturity and shall not include any provision that may incentivise redemption, such as dividends and increase of interest rate,
- (e) if such debt instrument includes a redemption option, then such option shall be exercisable no earlier than five years after issuance and only with the approval of the BRSA; approval of the BRSA is subject to the following conditions:
  - (i) such bank should not create any market expectation that the option will be exercised by the bank, and either

- (ii) such debt instrument shall be replaced by another debt instrument either of the same quality or higher quality, and such replacement shall not have a restrictive effect on such bank's ability to sustain its operations, or
- (iii) following the exercise of the option, the equity of such bank shall exceed the higher of: (A) the capital adequacy requirement that is to be calculated pursuant to the Capital Adequacy Regulation along with the BRSA's Regulation on Capital Conservation and Countercyclical Capital Buffers published on 5 November 2013, (B) the capital requirement derived as a result of an ICAAP of such bank and (C) the higher capital requirement set by the BRSA (if any);

however, if tax legislation or other regulations are materially amended, a redemption option may be exercised; **provided that** the above conditions in this clause (e) are met and the BRSA approves,

- (f) the redemption of the principal of such debt instrument shall be subject to approval of the BRSA, in which case the BRSA would seek the conditions stated in clause (e) to be met,
- (g) the bank shall be entitled to cancel the interest and dividend payments on such debt instrument and, if it exercises such right, then it shall not have an obligation to pay the difference between the amount set out in the terms of such debt instrument and the amount actually paid in subsequent periods (even in case of non-payment), cancellation of payments shall not be considered as default, such bank shall be entitled to use at its own discretion the amounts corresponding to the cancelled payments and the cancellation shall not have any restricting effect on such bank except with respect to payments to be made to its shareholders,
- (h) dividend or interest payments on such debt instrument may be made only out of the items that may be used for dividend distribution,
- (i) such debt instrument's dividend and interest payments shall not be linked to the creditworthiness of such bank,
- (j) such debt instrument shall not be: (i) purchased by such bank or by corporations controlled by such bank or significantly under the influence of such bank or (ii) assigned to such entities, and its purchase shall not be directly or indirectly financed by such bank itself,
- (k) such debt instrument shall not possess any features hindering any new equity issuance,
- (l) such bank must be entitled, pursuant to the terms of the debt instrument, to write-down or convert into equity (but not necessarily both) such debt instrument if the common equity tier 1 capital adequacy ratio of the bank (on a consolidated or non-consolidated basis) falls below 5.125 per cent., in each case to the extent necessary so as to restore the applicable such common equity tier 1 capital adequacy ratio(s) to at least 5.125 per cent.; as a result of such a write-down: (i) in the event of the liquidation of the bank, the claims of the holders of such debt instrument must be reducible via write-down, (ii) in the event of any redemption of such debt instrument, the amount redeemed will be the then-outstanding principal amount (i.e., after any write-downs and write-ups) as opposed to their original principal amount, and (iii) dividend and interest payments on such debt instrument must be partially or completely cancellable,
- (m) if there is a possibility that such bank's operating licence would be cancelled or the probability of the transfer of such bank to the SDIF arises pursuant to Article 71 of the Banking Law due to the losses incurred by the bank, then such debt instrument shall be subject to being written down or converted into equity (but not necessarily both) for the absorption of the loss if the BRSA so decides, and
- (n) in the event that such debt instrument has not been issued by such bank itself or one of its consolidated entities, the amounts obtained from the issuance shall be immediately transferred without any restriction to such bank or the applicable consolidated entity (as the case may be) in accordance with the rules listed above.

In addition to debt instruments issued by the bank and approved by the CMB (as stated in clause (a)), loans that have been approved by the BRSA upon the application of the board of directors of the applicable bank accompanied by a written statement confirming that all of these conditions (except for the condition stated

in clause (a) regarding debt instruments issued by the bank and approved by the CMB) are met also can be included in the calculation of the amount of additional tier 1 capital.

In addition to these conditions, the BRSA may also require other conditions to be met in respect of a debt, including in connection with the procedures relating to the write-down or conversion into equity of such debt.

Debt instruments and loans that are approved by the BRSA are included in the calculation of the amount of additional tier 1 capital as of the date of transfer of the proceeds thereof to the relevant accounts in the applicable bank's records. When applying with respect to a bank the measures set out under Article 71 of the Banking Law, the BRSA is not to take into account as liabilities of such bank the debt instruments and loans included in the calculation of additional tier 1 capital of such bank.

The Equity Regulation provides that the BRSA is to determine the rules and procedures with respect to the writedown or conversion into equity of debt included in additional tier 1 capital. Accordingly, on 7 June 2018, the BRSA published the Communiqué on Debt Instruments to be included in the Calculation of Banks' Equity (the "**Regulatory Capital Communiqué**"). The Regulatory Capital Communiqué is intended to align the Turkish additional tier 1 framework with European practices and imposed certain new requirements on banks.

*Regulatory Capital Communiqué.* The Regulatory Capital Communiqué stipulates that the debt included in additional tier 1 capital must be subject to write-off, write-down and conversion into equity before the debt included in tier 2 capital of the banks. Pursuant to the Regulatory Capital Communiqué, if there are multiple additional tier 1 instruments included in the additional tier 1 capital of a bank, then the write-off, write-down or conversion into equity of such additional tier 1 instruments is to be carried out on a *pro rata* basis based upon each such additional tier 1 instrument's portion in the total value of the additional tier 1 instruments of such bank that are included in the additional tier 1 capital of such bank. Interest and dividend distributions on, and redemptions of, additional tier 1 instruments that have been partially converted into equity or written-down are to take into account the outstanding amount after such conversion into equity or write-down.

The Regulatory Capital Communiqué also provides for a potentially non-permanent write-down of additional tier 1 instruments upon the common equity tier 1 capital adequacy ratio of a bank, on a consolidated or non-consolidated basis, falling below 5.125 per cent.. In terms of this write-down procedure, a bank is required to immediately notify the BRSA and the holders of such additional tier 1 instruments of the occurrence of such event. An issuer will determine the amount to be written down and/or converted into equity, without prejudice to any authority that the Banking Law grants to the BRSA.

In the case of additional tier 1 instruments that provide for such a write-down of debt on a non-permanent basis, the terms of such additional tier 1 instrument will include provisions for the potential write-up of such written-down amount; however, according to the Regulatory Capital Communiqué, a write-up is not possible for additional tier 1 instruments that have been written down for other reasons. In addition, the Regulatory Capital Communiqué requires that the following conditions (among others) be satisfied for any such write-up:

- (a) a write-up can be effected only to the extent that a positive distributable net profit was calculated based upon the most recent fiscal year of the applicable bank,
- (b) the sum of the write-up amount and the dividend or coupon payments made with respect to the written-down principal amount must not be more than the distributable net profit of the applicable bank multiplied by the result of: (i) the sum of the aggregate initial principal amount of the additional tier 1 instruments and the aggregate initial principal amount of all written-down additional tier 1 instruments of such bank divided by (ii) the total tier 1 capital of such bank, each as of the date of the relevant write-up,
- (c) the write-up must be effected on a *pro rata* basis with the other written-down additional tier 1 instruments of such bank, and
- (d) the sum of any write-up amount, coupon and dividend payments over the written-down debt will be treated as dividend payments, which will be subject to the restrictions relating to dividend distributions and the maximum distributable amount restrictions.

The Regulatory Capital Communiqué also introduced various requirements that must be satisfied in order for a bank to exercise any option to convert additional tier 1 instruments into equity. While the Bank has no additional tier 1 capital, any tier 1 capital that the Bank issues in the future might provide for such a conversion.

### ***Basel Committee***

*Basel II.* The most significant difference between the capital adequacy regulations in place before 1 July 2012 and the Basel II regulations is the calculation of risk-weighted assets related to credit risk. The current regulations seek to align more closely the minimum capital requirement of a bank with its borrowers' credit risk profile. The impact of the new regulations on capital adequacy levels of Turkish banks largely stems from exposures to the Turkish government, principally through the holding of Turkish government bonds. While the previous rules provided a 0 per cent. risk weight for exposures to the Turkish sovereign and the Central Bank, the rules of Basel II require that claims on sovereign entities and their central banks be risk-weighted according to their credit assessment, which (as of the date of this Prospectus) results in a 50 per cent. risk weighting for Türkiye; however, the Turkish rules implementing the Basel principles in Türkiye revised this general rule by providing that Turkish Lira-denominated claims on sovereign entities in Türkiye and the Central Bank shall have a 0 per cent. risk weight. See "Basel III" below for the risk weights of foreign currency-denominated claims on the Central Bank in the form of required reserves.

The BRSA published the Communiqué on the Calculation of Principal Subject to Credit Risk by Internal-Ratings Based Approaches and the Communiqué on the Calculation of Principal Subject to Operational Risk by Advanced Measurement Approaches for the banks to apply internal ratings for the calculation of principal subject to credit risk and advanced measurement approaches for the calculation of principal subject to operational risk, which entered into effect on 31 March 2016. The BRSA also issued various guidelines noting that the use of such internal rating and advanced measurement approaches in the calculation of capital adequacy is subject to the BRSA's permission.

*Basel III.* Turkish banks' capital adequacy requirements have been and will continue to be affected by Basel III, as implemented by the Equity Regulation, which includes requirements regarding regulatory capital, liquidity, leverage ratio and counterparty credit risk measurements. In 2013, the BRSA announced its intention to adopt the Basel III requirements (and, since such date, has issued regulations to accordingly align with the Basel III requirements) and published initially the Equity Regulation and a capital adequacy regulation, each entering into effect on 1 January 2014. The Equity Regulation introduced core tier 1 capital and additional tier 1 capital as components of tier 1 capital. Subsequently, the BRSA replaced this first capital adequacy regulation with the Capital Adequacy Regulation, which entered into force on 31 March 2016. These changes: (a) introduced a minimum core capital adequacy ratio (4.5 per cent.) and a minimum tier 1 capital adequacy ratio (6.0 per cent.) to be calculated on a consolidated and unconsolidated basis (which are in addition to the previously existing requirement for a minimum total capital adequacy ratio of 8.0 per cent.) and (b) changed the risk weights of certain items that are categorised under "other assets." The Equity Regulation also introduced new tier 2 rules and determined new criteria for debt instruments to be included in the tier 2 capital. According to the Capital Adequacy Regulation, which entered into force on 31 March 2016, the risk weights of foreign currency-denominated required reserves on the Central Bank in the form of required reserves were increased from 0 per cent. to 50 per cent.; however, on 24 February 2017, the BRSA amended its guidance to allow foreign exchange-required reserves held with the Central Bank to be subject to a 0 per cent. risk weight.

In order to further align Turkish banking legislation with Basel principles, the BRSA has published from time to time new regulations and communiqués amending or replacing the existing regulations and communiqués, some of which amendments entered into force on 31 March 2016. For information related to the leverage ratios, capital adequacy ratios and liquidity coverage ratios of banks, see "Capital Adequacy" above.

The BIS reviewed Türkiye's compliance with Basel regulations within the scope of the Basel Committee's RCAP and published its RCAP assessment report in March 2016, in which Türkiye was assessed as compliant with Basel standards.

If Ziraat Katlim is unable to maintain its capital adequacy or leverage ratios above the minimum levels required by the BRSA or other regulators (whether due to the inability to obtain additional capital on acceptable economic terms, if at all, sell assets (including subsidiaries) at commercially reasonable prices,

or at all, or for any other reason), then this might have a material adverse effect on its business, financial condition and/or results of operations.

## **LIQUIDITY RESERVE REQUIREMENT**

Article 46 of the Banking Law requires banks to calculate, attain, maintain and report the minimum liquidity level in accordance with principles and procedures set out by the BRSA. Within this framework, a comprehensive liquidity arrangement has been put into force by the BRSA, following the consent of the Central Bank.

Pursuant to the Communiqué Regarding Reserve Requirements (the "Communiqué Regarding Reserve Requirements"), the Central Bank imposes different reserve requirements for different currencies and different tenors and adjusts these rates from time to time in order to encourage or discourage certain types of lending and/or deposit-taking.

The Central Bank has permitted Turkish banks to maintain: (a) a portion of the Turkish Lira reserve requirements in U.S. dollars (however, such option has been terminated by the Central Bank effective as of 1 October 2021) and another portion of the Turkish Lira reserve requirements in standard and scrap gold (however, the facility for holding standard and scrap gold for Turkish Lira reserve requirements has been terminated by the Central Bank as of 23 June 2023) and (b) a portion or all of the reserve requirements applicable to precious metal deposit accounts in standard gold, which portions are revised from time to time by the Central Bank. In addition, banks are required to maintain their required reserves against their U.S. dollar-denominated liabilities in U.S. dollars only.

Furthermore, pursuant to the Communiqué Regarding Reserve Requirements, a bank must establish additional mandatory reserves if its financial leverage ratio falls within certain intervals. The financial leverage ratio is calculated according to the division of a bank's capital into the sum of the following items:

- (a) its total liabilities,
- (b) its total non-cash loans and obligations,
- (c) its revocable commitments multiplied by 0.1,
- (d) the total sum of each of its derivatives commitments multiplied by its respective loan conversion rate, and
- (e) its irrevocable commitments.

This additional mandatory reserve amount is calculated quarterly according to the arithmetic mean of the monthly leverage ratio. In addition, a bank must maintain additional mandatory reserves for six mandatory reserve periods beginning with the fourth calendar month following an accounting period for liabilities in Turkish Lira and foreign currency, as set forth below:

<b>Leverage Ratio</b>	<b>Additional Reserve Requirement</b>
Below 3.0 per cent.	2.0 per cent.
From 3.0 per cent. (inclusive) to 4.0 per cent.	1.5 per cent.
From 4.0 per cent. (inclusive) to 5.0 per cent.	1.0 per cent.

In December 2018 and April 2019, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude in the calculation of reserve requirements the following liabilities on the balance sheet: (a) funds acquired on the Borsa İstanbul with repo transactions and (b) deposits and participation funds of certain official institutions. Separate amendments in January 2019 removed a temporary article that distinguished the reserve requirement regime applicable to foreign currency liabilities other than deposits and participation funds that existed up to and prior to 28 August 2015 from those created after such date. The Central Bank further amended the Communiqué Regarding Reserve Requirements on 16 February 2019 to decrease the Turkish Lira liabilities reserve ratios for: (i) demand deposits, time deposits and participation funds with maturities of up to one year and other liabilities with maturities of up to (and

including) three years, by 100 basis points, and (ii) all other liabilities subject to reserve requirements, by 50 basis points. On 9 May 2019, the Central Bank increased reserve requirements for all foreign-exchange liabilities (including foreign-exchange deposits/participation funds) deposits by 100 basis points and, on 27 May 2019, increased all reserve requirements for foreign-exchange deposits/participation funds by another 200 basis points, through which approximately US\$3.0 billion and US\$4.2 billion of liquidity, respectively, was withdrawn from the market. On both 7 August and 20 September 2019, the Central Bank increased reserve requirements for foreign-exchange deposits/participation funds by 100 basis points for all maturity brackets. To support financial stability and the real loan growth-linked reserve requirement practice, the Central Bank decided on 28 December 2019 to increase (effective as of 10 January 2020 for the liability period starting on 27 December 2019) the reserve requirement ratios for foreign exchange deposits/participation funds by 200 basis points for all maturity brackets, but applying a 200 basis point reduction on the new ratios for banks that attain certain Turkish Lira real loan growth conditions (i.e., effectively keeping the reserve requirement ratios for foreign exchange deposits/participation funds of such banks unchanged).

In March 2020, as part of the government's response to the COVID-19 pandemic, the Central Bank issued a press release announcing the implementation of the following temporary measures: (a) providing banks with flexibility in Turkish Lira and foreign currency liquidity management, (b) offering targeted additional liquidity facilities to banks to secure credit flow to the corporate sector and (c) aiming to boost the cash flow of exporters by facilitating the discounting of export receivables. On 18 July 2020, the Central Bank increased foreign currency reserve requirement ratios by 300 basis points in all liability types and maturity brackets for all banks.

On 27 November 2020, the Central Bank: (a) revised to 12 per cent. per annum the remuneration rate for Turkish Lira denominated required reserves and (b) reduced the commission rate applied to the reserves maintained against U.S. dollar denominated deposits and participation fund liabilities from 1.25 per cent. to 0 per cent.. As a result, from December 2020, the reserve requirement ratios for: (i) deposits and participation funds (excluding those obtained from banks abroad) on demand and with a maturity up to (and including) three months and Turkish Lira-denominated other liabilities (including deposits and participation funds received from banks abroad) with a maturity up to (and including) one year were reduced to 6 per cent. per annum from 7 per cent. per annum, (ii) foreign currency-denominated deposits and participation funds (excluding deposits and participation funds obtained from banks abroad and precious metal deposit accounts) on demand and with a maturity less than one year were reduced to 19 per cent. per annum from 22 per cent. per annum, (iii) foreign currency-denominated deposits and participation funds (excluding deposits and participation funds obtained from banks abroad and precious metal deposit accounts) with a maturity of one year or more were reduced to 13 per cent. per annum from 18 per cent. per annum and (iv) other foreign currency-denominated liabilities (regardless of maturity) were reduced by 3 per cent. per annum (to a range of 5 per cent. per annum to 21 per cent. per annum).

On 24 February 2021, the Central Bank: (a) increased Turkish Lira reserve requirement ratios by 2.00 per cent. for all liability types and maturity brackets, (b) revised portions of the Turkish Lira reserve requirements that Turkish banks are permitted to maintain in U.S. dollars and standard gold and (c) revised to 13.50 per cent. the remuneration rate for Turkish Lira denominated required reserves. These changes became effective from the calculation date of 19 February 2021, with the maintenance period starting on 5 March 2021. On 1 July 2021, the Central Bank: (a) reduced the maximum percentage of Turkish Lira reserves it can allow to be held in U.S. dollars from 20 per cent. to 10 per cent. and terminated the option of Turkish banks to maintain a portion of the Turkish Lira reserve requirements in U.S. dollars as of 1 October 2021, (b) increased the reserve requirement ratios for foreign currency-denominated deposits and participation funds by 200 basis points for all maturity brackets and (c) started to apply remuneration rates from 13.5 per cent. to 19.0 per cent. per annum for Turkish Lira-denominated reserves of banks depending upon certain conditions, each of which changes became effective from the calculation date of 6 August 2021 (with the maintenance period starting on 19 July 2021). On 15 September 2021, the Central Bank increased reserve requirement ratios for foreign currency-denominated deposits and participation funds and precious metals deposit accounts by 200 basis points for all maturity brackets effective as of 17 September 2021. On 9 November 2021, the Central Bank: (i) further reduced the maximum percentage of Turkish Lira reserves it would allow to be held in standard gold from 15 per cent. to 10 per cent. and announced that the facility for holding standard gold for Turkish Lira reserve requirements will be gradually decreased and eventually terminated and (ii) increased the reserve requirement ratios for foreign currency deposits/participation funds by a further 200 basis points for all maturity brackets effective from the calculation date of 12 November 2021 (with the maintenance period starting on 28 October 2021). On 21 December 2021, the Central Bank amended the Communiqué Regarding Reserve Requirements to exclude

in the calculation of reserve requirements the amounts converted from foreign exchange deposits/participation funds into Turkish Lira term deposits/participation funds.

On 23 April 2022, the Central Bank amended the Communiqué Regarding Reserve Requirements (effective as of 29 April 2022) to require Turkish banks to establish mandatory reserves for their Turkish Lira-denominated commercial cash loans; **provided that** the following are excluded: (a) loans provided to SMEs, tradesmen, financial institutions and/or certain governmental authorities and their subsidiaries and (b) export and investment loans, agricultural loans and corporate credit cards (i.e., the Commercial Cash Loan Reserve Requirement). Also in April 2022, the Central Bank revised to 0 per cent. per annum the remuneration rate for Turkish Lira-denominated required reserves.

On 15 January 2023, the Central Bank amended the Communiqué Regarding Reserve Requirements so that (starting with the maintenance period starting on 3 February 2023), the reserve requirement rate for Turkish Lira deposit accounts and participation accounts held by certain customers with maturities longer than three months is 0 per cent.. Additionally, should there be an increase (compared to 6 January 2023, based upon a calculation to be made on the last Friday of every two-week period) in a bank's foreign currency-denominated liabilities with maturities longer than six months provided directly from abroad, the reserve requirement rate for such increased amount is 0 per cent. until 22 December 2023. On 8 July 2023, the Central Bank amended the Communiqué Regarding Reserve Requirements (effective as of 18 August 2023) to increase reserve requirement ratios for foreign currency-denominated deposits and participation funds (excluding those obtained from banks abroad) on demand or with a maturity up to (and including) one month from 25 per cent. to 29 per cent. On 14 September 2023, the Central Bank amended the Communiqué Regarding Reserve Requirements (effective as of 14 September 2023) to oblige banks to hold mandatory reserves at the rate of 25 per cent. for foreign exchange protected Turkish Lira-denominated deposit accounts up to (and including) six month and at the rate of 5 per cent. for foreign exchange protected Turkish Lira-denominated deposit accounts up to one year or more than one year.

Pursuant to the Communiqué on the Maintenance of Securities (effective from 24 June 2022), every Turkish bank is required to hold with the Central Bank long-term Turkish Lira-denominated securities issued by the Turkish government (including lease certificates issued by the Undersecretariat of the Treasury Asset Leasing Company) for foreign currency deposits, participation funds and precious metals accounts held with such bank (excluding those of certain depositors, including the Central Bank itself, the Turkish Treasury, certain other governmental entities, other Turkish banks and non-citizens, and such deposits/funds/accounts funded by foreign direct investments as determined by the Central Bank) as well as funds from foreign exchange-denominated repo transactions. Pursuant to an amendment to the Communiqué on the Maintenance of Securities made on 25 June 2023 (as itself amended on 20 August 2023), every Turkish bank is required to hold an amount of such securities equal to 5 per cent. of the amount of the foreign currency deposits, participation funds and precious metals accounts held by the relevant customers with such bank as well as the funds from foreign exchange-denominated repo transactions.

On 20 August 2022, 31 December 2022 and 25 July 2023, the Central Bank amended the Communiqué on the Maintenance of Securities to provide that if:

- (i) a bank's Turkish Lira-denominated commercial cash loan growth (excluding such excluded loans) during each calculation period from 26 August 2022 to 25 November 2022 compared to the previous calculation period was higher than 3 per cent., then such bank is required to hold with the Central Bank long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to the amount over such 3 per cent.,
- (ii) a bank's Turkish Lira-denominated commercial cash loan (excluding such excluded loans) growth as at 30 December 2022 compared to 29 July 2022 is higher than 10 per cent., then such bank is required to hold with the Central Bank long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to the amount over such 10 per cent. minus the amount already held as required by clause (i), and
- (iii) a bank's Turkish Lira-denominated commercial cash loan growth (excluding such excluded loans) during each calculation period from 27 January 2023 to 29 December 2023 compared to the previous calculation period was higher than 2.5 per cent. for commercial loans, then such bank is required to hold (for a 12-month period) with the Central Bank long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to the amount over such rate.

Additionally, the 20 August 2022 amendment provides that, for commercial loans extended from 20 August 2022 until 31 December 2022, a Turkish bank is required to hold with the Central Bank long-term Turkish Lira-denominated securities issued by the Turkish government in an amount equal to:

- (A) 20 per cent. of the amount of Turkish Lira-denominated commercial cash loans (excluding such excluded loans) extended during such period at an annual compound interest rate from and including 1.4 times to but excluding 1.8 times higher than the Central Bank-released annual compound reference rate (which reference rate is 10.31 per cent. for the period between 1 December 2022 and 31 December 2022), and
- (B) 90 per cent. of the amount of Turkish Lira-denominated commercial cash loans (excluding such excluded loans) extended during such period at an annual compound interest rate of 1.8 times or more higher than such Central Bank-released annual compound reference rate.

With respect to commercial loans extended from 31 December 2022, banks are required (based upon a calculation to be made on the last Friday of every month) until 29 December 2023 to hold with the Central Bank long-term Turkish Lira denominated securities issued by the Turkish government in an amount equal to 20 per cent. or 150 per cent. of the amount of Turkish Lira denominated commercial cash loans (excluding such excluded loans) extended during such month depending upon their annual compound interest rate. In May 2023, the Central Bank introduced new rules regarding credit growth for consumer loans, vehicle loans, SME loans and loans subject to the Commercial Cash Loan Reserve Requirement, which rules provide that if any of such loan types grow more than 3 per cent. per month, the relevant bank shall be required to hold with the Central Bank long-term Turkish Lira denominated securities issued by the Turkish Treasury in an amount equal to the excess of loans over the 3 per cent. growth rate (reduced in August 2023 to 2.5 per cent. for Turkish Lira-denominated commercial cash loans (excluding export, investment, agricultural and tradesmen loans), 2.0 per cent. for vehicle loans and 2.5 per cent. for other Turkish Lira denominated cash loans excluding consumer loans). On 20 August 2023, the Central Bank further amended the Regulation on the Maintenance of Securities (effective as of 26 August 2023) and required banks to hold such securities in an amount equal to 150 per cent. for their Turkish Lira denominated commercial cash loans (excluding export and investment loans) extended (based upon a calculation to be made on the last Friday of every month) until (and including) 29 December 2023 at an annual compound interest rate that is higher than the Central Bank-released annual compound reference rate.

In August 2022, the Central Bank introduced new regulations to increase the share of Turkish Lira-denominated assets in the collateral system and to ensure the maintenance of additional required reserves for foreign currency deposits. Effective as of 2 September 2022, the collateral discount rate for CPI-indexed securities and assets subject to collateral in foreign currency and gold was gradually increased from 50 per cent. to 60 per cent. to 70 per cent. and the remuneration rate for Turkish Liradenominated required reserves was reduced to 0 per cent. from 8.5 per cent..

On 31 December 2022, as a provisional application to be applied from 27 January 2023 through 29 December 2023 (based upon a calculation to be made on the last Friday of every month), the Central Bank required banks to hold the following additional reserves with the Central Bank: should there be an increase in the positive difference in the sum of a bank's foreign currency deposits, participation funds and funds from foreign exchange-denominated repo transactions minus the amount of loans provided and the related required reserves, reserves in the amount of such increase must be held using long-term Turkish Lira-denominated securities issued by the Turkish government.

On 26 May 2023, the BRSA published the Regulation on the Net Stable Funding Ratio Calculations of Banks to align the Turkish regulatory capital regime with Basel III requirements that seeks to strengthen the liquidity of banks. Pursuant to this new regulation, starting as of 1 January 2024, the three-month arithmetic mean of a bank's consolidated and nonconsolidated net stable funding ratios (calculated on a monthly basis) shall not be less than 100 per cent.. The BRSA shall also announce a minimum rate for the banks' consolidated and non-consolidated net stable funding ratios (as calculated monthly) and if either the consolidated or non-consolidated net stable funding ratio of a bank falls below such minimum requirement, then such bank must resolve this discrepancy by the next calculation period.

On 20 August 2023 (as amended on 27 October 2023), as a provisional measure effective from 26 August 2023, the Central Bank announced a requirement for each Turkish bank (except banks whose deposit/participation fund size is below an amount to be determined by the Central Bank from time to time) to hold (for a six-month period) additional Turkish Lira denominated securities issued by the Turkish

government equal to the amount of the deficient portion (based upon a calculation to be made as of the last Friday of every month) if: (a) the conversion rate of foreign exchange protected accounts that mature through 29 December 2023 to Turkish Lira term deposit/participation accounts is less than 50 per cent. and/or (b) the conversion rate of foreign exchange protected accounts (as calculated for real persons only) that mature through 29 September 2023 to Turkish Lira term deposit/participation accounts is less than 10 per cent. per monthly calculation period, (c) the renewal rate of foreign exchange protected accounts that mature through 29 September 2023 is less than 95 per cent., and/or (d) the share of Turkish Lira deposits/participation accounts (as calculated for real persons only) that mature through 29 September 2023 is less than 2 per cent. below the share of the previous calculation period and the share of Turkish Lira deposits/participation accounts (as calculated for legal entities only) that mature through 29 September 2023 is less than the share calculated on 18 August 2023. According to the amendments made in Communiqué on the Maintenance of Securities dated 27 October 2023, as of the calculation date on 29 September 2023, the establishment of securities should be carried out between 27 October 2023 and 23 November 2023.

## **FOREIGN EXCHANGE REQUIREMENTS**

According to the Regulation on Foreign Exchange Net Position/Capital Base issued by the BRSA and published in the Official Gazette No. 26333 dated 1 November 2006 (and amendments thereto effective as of 9 January 2023), for both the bank-only and consolidated financial statements, the weekly arithmetic mean of the ratio of a bank's foreign exchange net position to its capital base should not exceed (+/-) 10 per cent., which calculation is required to be made on a weekly basis for unconsolidated and monthly basis for consolidated financial statements. The net foreign exchange position is the difference between the Turkish Lira equivalent of a bank's foreign exchange assets and its foreign exchange liabilities. For the purpose of computing the net foreign exchange position, foreign exchange assets include all active foreign exchange accounts held by a bank (including its foreign branches), its foreign exchange-indexed assets and its subscribed forward foreign exchange purchases; and for purposes of computing the net foreign exchange position, foreign exchange liabilities include all passive foreign exchange accounts held by a bank (including its foreign branches), its subscribed foreign exchange-indexed liabilities and its subscribed forward foreign exchange sales. In addition, a bank must include any general and special provisions it has set aside pursuant to the Classification of Loans and Provisions Regulation for the calculation of the standard ratio of its foreign exchange net position to its capital base. If such ratio exceeds (+/-) 10 per cent., then the bank is required to take steps to move back into compliance within two weeks following the bank's calculation period. Banks are permitted to exceed this ratio up to six times per calendar year.

## **AUDIT OF BANKS**

According to Article 24 of the Banking Law, a bank's board of directors is required to establish audit committees for the execution of the audit and monitoring functions of the board of directors. The duties and responsibilities of the audit committee include: (a) the supervision of the efficiency and adequacy of the bank's internal control, risk management and internal audit systems, (b) the functioning of these systems and accounting and reporting systems within the framework of the Banking Law and other relevant legislation, (c) the integrity of the information produced by such systems, (d) conducting the necessary preliminary evaluations for the selection of independent audit firms by the board of directors, (e) regularly monitoring the activities of independent audit firms selected by the board of directors and (f) in the case of holding companies covered by the Banking Law, ensuring that the internal audit functions of the institutions that are subject to consolidation operate in a coordinated manner.

Banks are required to assign an independent audit firm in accordance with the Turkish Auditor Regulation. Independent auditors are held liable for damages and losses to third parties and are subject to stricter reporting obligations. Professional liability insurance is required for: (a) independent auditors and (b) evaluators, rating agencies and certain other support services (if requested by the service-acquiring bank or required by the BRSA). Furthermore, banks are required to consolidate their financial statements on a quarterly basis in accordance with certain consolidation principles established by the BRSA. The year-end consolidated financial statements are required to be audited whereas interim consolidated financial statements are subject to only a review of independent auditors.

Pursuant to the Regulation regarding the Internal Systems and Internal Capital Adequacy Assessment Process of Banks, as issued by the BRSA and published in the Official Gazette No. 29057 dated 11 July 2014 (the "**ICAAP Regulation**"), banks are obligated to establish, manage and develop (for themselves and all of their consolidated financial subsidiaries) internal audit, internal control and risk management

systems commensurate with the scope and structure of their activities, in compliance with the provisions of such regulation. The ICAAP Regulation also requires banks to conduct an "internal capital adequacy assessment process" ("ICAAP"), which is an internal process whereby banks calculate the amount of capital required to cover the risks to which they are or may be exposed on an unconsolidated and consolidated basis and with a forward-looking perspective, taking into account their near- and medium-term business and strategic plans. In this context, each bank is required to prepare an internal capital adequacy assessment process report (the "ICAAP Report") representing the bank's own assessment of its capital and liquidity requirements. The ICAAP Regulation established standards as to principles of internal control, internal audit and risk management systems and an ICAAP in order to bring such regulations into compliance with Basel II requirements.

In 2015 and 2016, the BRSA issued certain amendments to the ICAAP Regulation to align the Turkish regulatory capital regime with Basel III requirements. These amendments relating to internal systems and internal capital adequacy ratios entered into force on 20 January 2016 and the other amendments entered into force on 31 March 2016. These amendments impose new regulatory requirements to enhance the effectiveness of internal risk management and internal capital adequacy assessments by introducing, among other things, new stress test requirements. Accordingly, the board of directors and senior management of a bank are required to ensure that a bank has established appropriate risk management systems and that it applies an ICAAP such that the bank has adequate capital to meet the risks incurred by it. The ICAAP Report is required to be audited by either the internal audit department or an independent audit firm in accordance with the internal audit procedures of a bank.

All banks (public and private) also undergo annual audits and interim reviews by certified bank auditors who have the authority to audit banks on behalf of the BRSA, which audits encompass all aspects of a bank's operations, its financial statements, other matters affecting the bank's financial position and the bank's compliance with law. The Central Bank has the right to monitor compliance by banks with the Central Bank's regulations through on-site and off-site examinations.

In 2015, the BRSA amended the Regulation on Principles and Procedures of Audits to expand the scope of the audit of banks in compliance with the ICAAP Regulation. According to this regulation, the BRSA monitors banks' compliance with the regulations relating to the maintenance of capital and liquidity adequacy for risks incurred or to be incurred by banks and the adequacy and efficiency of banks' internal audit systems.

## THE SDIF

The SDIF is a public legal entity set up to insure savings deposits held with banks and (along with all other Turkish banks) the Bank is subject to its regulations. The SDIF is responsible for and authorised to take measures for restructuring, transfers to third parties and strengthening the financial structures of banks, the shares of which and/or the management and control of which have been transferred to the SDIF in accordance with Article 71 of the Banking Law, as well as other duties imposed on it.

- (a) *Insurance of Deposits.* Pursuant to Article 63 of the Banking Law: (a) funds in checking accounts that are owned by commercial entities (which accounts are used solely for the payment of checks) and (b) funds in savings deposit accounts owned by natural persons are insured by the SDIF. Effective as of 28 August 2022, all deposit and participation funds except those owned by official institutions, credit institutions and financial institutions are insured by the SDIF. The scope and amount of deposit and participation funds subject to the insurance are determined by the SDIF upon the approval of the Central Bank, the BRSA and the Turkish Treasury. The tariff of the insurance premium, the time and method of collection of this premium, minimum target level of deposit insurance reserve (effective as of 28 August 2022) and other relevant matters are determined by the SDIF upon the approval of the BRSA. Since 1 January 2023, an amount of up to TL 400,000 of a depositor's deposit account benefits from the SDIF insurance guarantee.
- (b) *Power to require Advances from Banks.* **Provided that** BRSA consent is received, the banks may be required by the SDIF to make advances of up to the total insurance premiums paid by them in the previous year to be set-off against their future premium obligations. The decision regarding such advances shall also indicate the interest rate applicable thereto.
- (c) *Contribution of the Central Bank.* If the SDIF's resources prove insufficient due to extraordinary circumstances, then the Central Bank will, on request, provide the SDIF with an advance. The

terms, amounts, repayment conditions, interest rates and other conditions of the advance will be determined by the Central Bank upon consultation with the SDIF.

- (d) *Premiums as an Expense Item.* Premiums paid by a bank into the SDIF are to be treated as an expense in the calculation of that bank's corporate tax.
- (e) *Liquidation.* In the event of the bankruptcy or (effective as of 28 August 2022) liquidity of a bank, the SDIF is a privileged creditor and may liquidate the bank under the provisions of the Execution and Bankruptcy Law No. 2004, exercising the duties and powers of the bankruptcy office and creditors' meeting and the bankruptcy administration.
- (f) *Claims.* In the event of the bankruptcy of a bank, holders of savings deposits will have a privileged claim in respect of the part of their deposit that is not covered by the SDIF's insurance.

The main powers and duties of the SDIF pursuant to the SDIF regulation published in the Official Gazette No. 31901 dated 23 July 2022, are as follows:

- (a) becoming members of international financial, economic and professional organisations in which domestic and foreign equivalent agencies participate, and signing memoranda of understanding with the authorised bodies of foreign countries regarding the matters that fall within the SDIF's span of duty,
- (b) insuring all deposits and participation accounts in the credit institutions except the accounts of official institutions, credit institutions and financial institutions,
- (c) determining the scope and amount of the deposit and participation accounts that are subject to insurance with the opinion of the Central Bank, the BRSA and the Turkish Treasury, and the risk-based insurance premia timetable, collection time and form, minimum target level of deposit insurance reserve and other related issues in cooperation with the BRSA,
- (d) determining the procedures and principles regarding the establishment, operation and supervision of the system to be established by the credit institutions as a basis for the calculation, follow-up, verification and payment of the insured deposit and participation funds, in cooperation with the BRSA,
- (e) paying (directly or through another bank) the insured deposits and participation accounts in the credit institutions whose banking licence has been revoked by the BRSA from deposit insurance reserves,
- (f) fulfilling the necessary operations regarding the transfer, sale and merger of the banks whose shareholder rights (except to dividends) and management and supervision have been transferred to the SDIF by the BRSA, with the condition that the losses of the shareholders are reduced from the capital,
- (g) taking management and control of the banks whose banking licence has been revoked by the BRSA and fulfilling the necessary operations regarding the bankruptcy and liquidation of such banks,
- (h) fulfilling the necessary operations regarding liquidation of the savings finance institutions whose operation licence has been revoked by the BRSA, and
- (i) carrying out activities required for the management, sale and liquidation of partnership shares and assets of the companies whose powers have been transferred to the SDIF or to which the SDIF has been appointed as a trustee.

#### **CANCELLATION OF BANKING LICENSE**

If the results of an audit show that a bank's financial structure has seriously weakened, then the BRSA may require the bank's board of directors to take measures to strengthen its financial position. Pursuant to the Banking Law, in the event that the BRSA in its sole discretion determines that:

- (a) the assets of a bank are insufficient or are likely to become insufficient to cover its obligations as they become due or the bank is not complying with liquidity requirements,

- (b) the bank's profitability is not sufficient to conduct its business in a secure manner due to disturbances in the relation and balance between expenses and profit,
- (c) the regulatory equity capital of such bank is not sufficient or is likely to become insufficient,
- (d) the quality of the assets of such bank have been impaired in a manner potentially weakening its financial structure,
- (e) the decisions, transactions or applications of such bank are in breach of the Banking Law, relevant regulations or the decisions of the BRSA,
- (f) such bank does not establish internal audit, supervision and risk management systems or to effectively and sufficiently conduct such systems or any factor impedes the audit of such systems,
- (g) imprudent acts of such bank's management materially increase the risks stipulated under the Banking Law and relevant legislation or potentially weaken the bank's financial structure, or
- (h) for D-SIBs, the precautions under the precaution plan described below are not implemented promptly, such precautions are unable to cure the applicable weakness or it is determined that such weakness cannot be cured even if such precautions were implemented,

then the BRSA may require the board of directors of such bank:

- (i) in the event of the occurrence of an event described in clause (a), (b), (c), (d) or (h), to:
  - (A) increase such bank's equity capital,
  - (B) not permit such bank to distribute dividends for a temporary period to be determined by the BRSA and to transfer its distributable dividend to the reserve fund,
  - (C) increase such bank's loan provisions,
  - (D) stop such bank's extension of loans to its shareholders,
  - (E) dispose of such bank's assets in order to strengthen its liquidity,
  - (F) limit or stop such bank's new investments,
  - (G) limit such bank's salary and other payments, and/or
  - (H) cease such bank's long-term investments, and
- (ii) in the event of the occurrence of an event described in clause (e), (f) or (g), to:
  - (A) cause such bank to comply with the relevant banking legislation,
  - (B) cease such bank's risky transactions by re-evaluating such bank's credit policy, and/or
  - (C) causing such bank to take all actions to decrease any maturity, foreign exchange and interest rate risks for a period determined by the BRSA and in accordance with a plan approved by the BRSA.

The BRSA may also take any other action in relation to the occurrence of an event described in clauses (a) through (h) that it may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, its financial structure cannot be strengthened despite the fact that such actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSA may require such bank:

- (i) in the event of the occurrence of an event described in clause (a), (b), (c), (d) or (h) of the preceding paragraph, to:
  - (A) strengthen its financial structure, increase its liquidity and/or increase its capital adequacy,
  - (B) dispose of its fixed assets and long-term assets within a reasonable time determined by the BRSA,
  - (C) decrease its operational and management costs,
  - (D) postpone its payments under any name whatsoever, excluding the regular payments to be made to its employees, and/or
  - (E) limit or prohibit extension of any cash or non-cash loans to certain third persons, legal entities, risk groups or sectors, and
- (ii) in the event of the occurrence of an event described in clause (e), (f) or (g) of the preceding paragraph, to:
  - (A) convene an extraordinary general assembly in order to change some or all of the members of the board of directors or assign new member(s) to the board of directors, in the event any board member is responsible for a failure to comply with relevant legislation, a failure to establish efficient and sufficient operation of internal audit, internal control and risk management systems or non-operation of these systems efficiently or there is a factor that impedes supervision or such member(s) of the board of directors cause(s) to increase risks significantly as stipulated above, and/or
  - (B) implement short-, medium- or long-term plans and projections that are approved by the BRSA to decrease the risks incurred by the bank and the members of the board of directors and the shareholders with qualified shares must undertake the implementation of such plan in writing.

The BRSA may also take any other action in relation to the occurrence of an event described in clauses (a) through (h) of the preceding paragraph that it may deem necessary.

In the event that the aforementioned actions are not taken (in whole or in part) by the applicable bank, the problem cannot be solved despite the fact that the actions have been taken or the BRSA determines that taking such actions will not lead to a favourable result, then the BRSA may require such bank to:

- (a) limit or cease its business or the business of the whole organisation, including its relations with its local or foreign branches and correspondents, for a temporary period,
- (b) apply various restrictions, including restrictions on the interest rate and maturity with respect to resource collection and utilisation,
- (c) remove from office (in whole or in part) some or all of its members of the board of directors, general manager and deputy general managers and the relevant department and branch managers and obtain approval from the BRSA as to the persons to be appointed to replace them,
- (d) make available long-term loans; **provided that** these will not exceed the amount of deposit or participation accounts subject to insurance, and be secured by the shares or other assets of the controlling shareholders,
- (e) limit or cease its non-performing operations and to dispose of its non-performing assets,
- (f) merge with one or more other interested bank(s),
- (g) provide new shareholders in order to increase its equity capital,
- (h) deduct any resulting losses from its own funds, and/or
- (i) take any other action that the BRSA may deem necessary.

In the event that: (a) the aforementioned actions are not (in whole or in part) taken by the applicable bank within a period of time set forth by the BRSA or in any case within 12 months, (b) the financial structure of such bank cannot be strengthened despite its having taken such actions, (c) it is determined that taking these actions will not lead to the strengthening of the bank's financial structure, (d) the continuation of the activities of such bank would jeopardise the rights of the depositors and the participation account owners and the security and stability of the financial system, (e) such bank cannot cover its liabilities as they become due, (f) the total amount of the liabilities of such bank exceeds the total amount of its assets or (g) the controlling shareholders or directors of such bank are found to have utilised such bank's resources for their own interests, directly or indirectly or fraudulently, in a manner that jeopardised the secure functioning of the bank or caused such bank to sustain a loss as a result of such misuse, then the BRSA, with the affirmative vote of at least five of its board members, may revoke the licence of such bank to engage in banking operations and/or to accept deposits and transfer the management, supervision and control of the shareholding rights (excluding dividends) of such bank to the SDIF for the purpose of whole or partial transfer or sale of such bank to third persons or the merger thereof; **provided that** any loss is deducted from the share capital of current shareholders.

In order for the advance identification of the appropriate response measures to be taken in case of the occurrence of any events (or probability of the occurrence of any events) that might weaken their financial structures, banks that are classified by the BRSA as systemically important banks (i.e., as D-SIBs) must create prevention plans and submit those to the BRSA. In the case of any determination of the occurrence of any such events (or probability of the occurrence of any such events) with respect to such a bank (on a consolidated or non-consolidated basis), such bank must implement the precautions indicated in their prevention plan and notify the BRSA of such circumstances and the BRSA may impose the implementation of such precautions.

Any and all execution and bankruptcy proceedings (including preliminary injunction) against a bank whose license is revoked would be discontinued as from the date on which the BRSA's decision to revoke such bank's licence is published in the Official Gazette. From the date of revocation of such bank's licence, the creditors of such bank may not assign their rights or take any action that could lead to assignment of their rights. The SDIF must take measures for the protection of the rights of depositors and other creditors of such bank. The SDIF is required to pay the insured deposits of such bank either by itself or through another bank it may designate. The SDIF is required to institute bankruptcy proceedings in the name of depositors against a bank whose banking licence is revoked.

## ANNUAL REPORTING

Pursuant to the Banking Law, Turkish banks are required to follow the BRSA's principles and procedures (which are established in consultation with the Turkish Accounting Standards Board and international standards) when preparing their annual reports. Turkish listed companies must also comply with the Communiqué on Principles of Financial Reporting in Capital Markets issued by the CMB. In addition, they must ensure uniformity in their accounting systems, correctly record all their transactions and prepare timely and accurate financial reports in a format that is clear, reliable and comparable as well as suitable for auditing, analysis and interpretation.

Furthermore, Turkish companies (including banks) are required to comply with the Regulation regarding Determination of the Minimum Content of the Companies' Annual Reports published by the Ministry of Customs and Trade, as well as the Corporate Governance Communiqué, when preparing their annual reports. These reports are required to include the following information: management and organisation structures, human resources, activities, financial situation, assessment of management and expectations and a summary of the directors' report and independent auditor's report.

A bank cannot settle its balance sheets without ensuring reconciliation with the legal and auxiliary books and records of its branches and domestic and foreign correspondents.

The BRSA is authorised to take necessary measures where it is determined that a bank's financial statements have been misrepresented.

Pursuant to the Regulation on the Principles and Procedures Concerning the Preparation of Annual Reports by Banks published in the Official Gazette No. 26333 dated 1 November 2006, the chairman of the board, audit committee, general manager, deputy general manager responsible for financial reporting and the

relevant unit manager (or equivalent authorities) must sign the reports indicating their full names and titles and declare that the financial statements comply with relevant legislation and accounting records.

Independent auditors must perform an audit of, and provide an opinion on, the annual financial statements prepared by the banks.

Banks are required to submit their financial statements to related authorities and publish them in accordance with the BRSA's principles and procedures.

According to BRSA regulations, the annual report is subject to the approval of the board of directors and must be submitted to shareholders at least 15 days before the annual general assembly of the bank. Banks also must submit an electronic copy of their annual reports to the BRSA within seven days following the publication of the reports. Banks must publish a copy of such reports on their websites by the end of May following the end of the relevant fiscal year.

Amendments to the Regulation on the Principles and Procedures Regarding the Preparation of Annual Reports by Banks, which entered into force on 31 March 2016, require annual and interim financial statements of banks to include explanations regarding their risk management in line with the Regulation on Risk Management to be Disclosed to the Public.

### ***Disclosure of Financial Statements***

The BRSA published amendments (which entered into force on 31 March 2016) to the Communiqué on Financial Statements to be Disclosed to the Public setting forth principles of disclosure of annotated financial statements of banks in accordance with the Public Disclosures Communiqué and the Equity Regulation.

The amendments reflect the updated requirements relating to information to be disclosed to the public in line with the amendments to the calculation of risk-weighted assets and their implications for capital adequacy ratios, liquidity coverage ratios and leverage ratios. Rules relating to equity items presented in the financial statements were also amended in line with the amendments to the Equity Regulation. Additionally, banks are required to make necessary disclosures on their websites immediately upon repayment of a debt instrument, depreciation or conversion of a share certificate or occurrence of any other material change. Effective as of 1 January 2024, the BRSA amended the Communiqué on Financial Statements to be Disclosed to the Public on 26 May 2023 to reduce uncertainties that may arise in the market through the implementation of the net stable funding ratio rules, and obliged banks to disclose the arithmetic mean of their three-month consolidated and non-consolidated net stable funding ratios and other related items to the public.

In addition, the BRSA published the Public Disclosures Communiqué, which expands the scope of public disclosure to be made in relation to risk management (which entered into force on 31 March 2016) in line with the disclosure requirements of the Basel Committee. According to this regulation, each bank is required to announce information regarding their consolidated and/or unconsolidated risk management related to risks arising from or in connection with securitisation, counterparty, credit, market and its operations in line with the standards and procedures specified in this regulation. Each bank is also required to form policies approved by its board of directors regarding internal audit and control processes relating to risk management.

On 15 September 2018, the Ministry of Commerce issued a communiqué that sets forth the procedures and principles relating to the application of Article 376 of the Turkish Commercial Code, which article regulates the measures that Turkish companies (i.e., joint stock companies, limited liability companies and limited partnerships, in which the capital is divided into shares, including financial institutions) are required to adopt in case of loss of capital or insolvency. This new communiqué aims to clarify and complement the remedial actions that can be taken in relation to the treatment of foreign exchange losses in the calculation of the loss of capital or insolvency. As companies in Türkiye prepare their financial statements in Turkish Lira, the value of any foreign currency-denominated asset and liability is converted into Turkish Lira based upon the currency rate applicable as of the date of such financial statements; however, until 1 January 2024, the communiqué allows companies to disregard any losses arising from the exchange rate volatility of any outstanding foreign currency-denominated liability while making any capital loss or insolvency calculations. As such, companies will not be required to apply any measures set forth in Article 376 of the

Turkish Commercial Code to maintain their capital if the relevant loss of capital or insolvency arises from currency fluctuations.

## FINANCIAL SERVICES FEE

Pursuant to Heading XI of Article 8 of the Law on Fees (Law No. 492) amended by the Law No. 5951, banks are required to pay to the relevant tax office to which their head office reports an annual financial services fee for each of their branches. The amount of the fee is determined in accordance with the population of the district in which the relevant branch is located.

## CORPORATE GOVERNANCE PRINCIPLES

On 3 January 2014, the CMB issued the Corporate Governance Communiqué, which provides certain mandatory and non-mandatory corporate governance principles as well as rules regarding related-party transactions and a company's investor relations department. Some provisions of the Corporate Governance Communiqué are applicable to all companies incorporated in Türkiye and listed on the Borsa İstanbul, whereas some others are applicable solely to companies whose shares are traded in certain markets of the Borsa İstanbul. The Corporate Governance Communiqué provides specific exemptions and/or rules applicable to banks that are traded on the Borsa İstanbul.

The mandatory principles under the Corporate Governance Communiqué include provisions relating to: (i) the composition of the Board; (ii) appointment of independent board members; (iii) board committees; (iv) specific corporate approval requirements for related party transactions, transactions that may result in a conflict of interest and certain other transactions deemed material by the Corporate Governance Communiqué; and (v) information rights in connection with general assembly meetings.

Listed companies are required to have independent board members, who should meet the mandatory qualifications required for independent board members as set out in the Corporate Governance Communiqué. Independent board members should constitute at least one third of the Board and should not be fewer than two; however, publicly traded banks are required to appoint at least three independent board members to their Board, which directors may be selected from the members of the bank's audit committee, in which case the above-mentioned qualifications for independent members are not applicable; **provided that** when all independent board members are selected from audit committee, at least one member should meet the mandatory qualification required for independent board members as set out in the Corporate Governance Communiqué. The Corporate Governance Communiqué further initiated a pre-assessment system to determine the "independency" of individuals nominated as independent board members in "1st Group" and "2nd Group" companies (for banks, to the extent such independent board members are not members of that bank's audit committee). Those nominated for such positions must be evaluated by the "Corporate Governance Committee" or the "Nomination Committee," if any, of the Board for fulfilling the applicable criteria stated in the Corporate Governance Communiqué. The Board is required to prepare a list of nominees based upon this evaluation for final review by the CMB, which is authorised to issue a "negative view" on any nominee and prevent their appointment as independent members of the Board. The Corporate Governance Communiqué also requires listed companies to establish certain other board committees; however, banks are exempt from the requirement for an audit committee, early detection of risk committee and remuneration committee.

In addition to the mandatory principles regarding the composition of the board and the independent board members, the Corporate Governance Communiqué introduced specific corporate approval requirements for all material related party transactions. All those types of transactions shall be approved by the majority of the independent board members. If not, then they shall be brought to the general assembly meeting where related parties to those transactions are not allowed to vote. Meeting quorum shall not be sought for these resolutions and the resolution quorum is the simple majority of the attendees who may vote. For banks and financial institutions, transactions with related parties arising from their ordinary activities are not subject to the requirements of related party transactions.

The Capital Markets Law authorizes the CMB to require listed companies to comply with the corporate governance principles in whole or in part and to take certain measures with a view to monitor compliance with the new principles, which include requesting injunctions from the court or filing lawsuits to determine or to revoke any unlawful transactions or actions that contradict with these principles.

On 2 October 2020, the CMB amended the Corporate Governance Communiqué to provide that publicly held companies that are subject to corporate governance principles are also to be subject to the principles specified in the Sustainability Principles Compliance Framework (in Turkish: *Sürdürülebilirlik İlkeleri Uyum Çerçevesi*), which seeks to increase Turkish companies' attention to environmental, social and corporate governance principles and thereby enhance their attractiveness to international investors. Although the application of such principles is voluntary for publicly held companies, companies are required to state in their annual activity report whether they adhere to the principles (i.e., "comply or explain").

#### ***Anti-Money Laundering and Combating the Finance of Terrorism (AML/CFT) Policies***

The AML/CFT policies applicable to banks are defined under the Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Turkish Criminal Code No. 5237 and the Regulation on Programme of Compliance with Obligations of Anti-Money Laundering and Combating the Finance of Terrorism and the Regulation on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism and related Financial Crime Investigation Board Communiques (together the "**Anti-Money Laundering Laws**"). In addition, a new law on Combating the Finance of Terrorism number 6415 has been published in the Official Gazette on 16 February 2013.

Pursuant to the Anti-Money Laundering Laws, banks are required to identify their customers and the persons carrying out transactions on behalf of, or on account of, their customers. In the event there is any information or concern that a transaction concluded by a customer is a suspicious transaction or there are reasonable grounds to suspect that the asset which is the subject of the transaction, carried out or attempted to be carried out within or through a bank, is acquired through illegal means or used for illegal purposes, such a transaction must be reported by the relevant bank to the Turkish Financial Crimes Investigation Board. The notifying bank cannot disclose such notification to third parties, including the parties to the suspicious transaction, other than to the investigators assigned to inspect the transaction and the competent courts during legal proceedings.

When requested by the Financial Crimes Investigation Board or the investigators thereof, banks are required to provide information relating to their customers and their transactions. Furthermore, banks are required to maintain all documents, books and records of identification documents regarding all transactions for eight years starting from the transaction date, the last record date and the last transaction date.

Banks breaching any of the obligations set out in the Anti-Money Laundering Laws may be subject to an administrative fine. Furthermore, real persons may be subject to imprisonment with terms ranging from one year to three years for the cases specified under the Anti-Money Laundering Laws.

Although Türkiye has a high-level political commitment to work with the Financial Action Task Force (the "**FATF**") to seek to address Türkiye's deficiencies in combating the financing of terrorism, the FATF requested that Türkiye make progress in implementing its action plan. In particular, Türkiye: (a) is required to make sufficient progress in adequately criminalising terrorist financing and (b) was required, before 2 February 2013, to implement an adequate legal framework for identifying and freezing terrorist assets. If sufficient progress is not realised, the FATF has advised that it might call upon its members to apply countermeasures proportionate to the risks associated with Türkiye (for example, the FATF may require banks in member states to apply extra procedures on any transactions with banks in Türkiye).

In an effort to ensure compliance with the FATF requirements, new measures against financing terrorist activities in Türkiye were introduced with the entry into force of the Law No. 6415 on the Prevention of the Financing of Terrorism on 16 February 2013 (the "**CFT Law**"). In order to address shortcomings identified by the FATF and with a view to achieving compatibility with international standards as outlined under the International Convention for the Suppression of the Financing of Terrorism and annexes thereto, the CFT Law introduced an expanded scope to the financing of terrorism offense (as currently defined under Turkish anti-terrorism laws). The CFT Law also presents new principles and mechanisms for identifying and freezing terrorist assets and facilitates the implementation of United Nations Security Council decisions, in particular those relating to entities and/or individuals placed on sanction lists. On 31 May 2013, the Regulation on Procedures and Principles Regarding the Application of the Law on the Prevention of the Financing of Terrorism became effective, which regulation provides the procedures and principles for the decision-making, execution and termination of the freezing of assets as well as the management and supervision of frozen assets. In addition, the Council of Ministers' Decree dated 30 September 2013 implementing United Nations Security Council Resolutions ("**UNSCR**") 1267, 1988 and

1989 and recent court decisions have further improved Türkiye's CFT regime and compliance with the FATF standard on criminalisation of terrorist financing; however, certain concerns remain regarding Türkiye's framework for identifying and freezing terrorist assets under UNSCRs 1267 and 1373, and the FATF has encouraged Türkiye to address these remaining strategic deficiencies and continue the process of implementing its action plan. In the event that the FATF finds Türkiye's efforts to be insufficient, then FATF measures as described above may be imposed on Türkiye and this could have a material adverse effect on Ziraat Katılım's business, financial condition and/or results of operations.

### ***Consumer Loan, Provisioning and Credit Card Regulations***

On 8 October 2013, the BRSA published regulations that aim to limit the expansion of individual loans and payments, especially credit card instalments. The rules: (i) include overdrafts on deposit accounts and loans on credit cards in the category of consumer loans for purposes of provisioning requirements; (ii) set a limit of TRY 1,000 for credit cards issued to consumers who apply for a credit card for the first time if their income cannot be determined by the bank; (iii) require credit card issuers to monitor cardholders' income levels before each limit increase of the credit card; and (iv) increase the minimum monthly payment required to be made by cardholders. Before increasing the limit of a credit card, a bank is required to monitor the income level of the consumer and it should not increase the credit card limit if the customer's aggregate credit cards limit exceeds four times his or her monthly income. In addition, minimum payment ratios for credit cards may not be lower than 30 per cent., 35 per cent. and 40 per cent. for credit cards with limits lower than TRY 15,000, from TRY 15,000 to but excluding TRY 20,000 and from TRY 20,000, respectively, or 40 per cent. for newly-issued credit cards for one year from the date of first use. The 2015 Capital Adequacy Regulation lowered the risk weight for instalment payments of credit cards to 75 per cent., irrespective of their tenor, which was in a range of 100 per cent. to 250 per cent., depending on the outstanding tenor.

In addition, amendments to the Regulation on Bank Cards and Credit Cards introduced some changes on the credit limits for credit cards and income verification so that: (a) the total credit card limit of a cardholder from all banks will not exceed four times his/her monthly income in the second and the following years (two times for the first year) and (b) banks will have to verify the monthly income of the cardholders in the limit increase procedures and will not be able to increase the limit if the total credit card limit of the cardholder from all banks exceeds four times his/her monthly income. The following additional changes regarding minimum payment amounts and credit card usage were included in the amended regulation: (i) minimum payment amounts differentiated among existing cardholders (based upon their credit card limits) and between existing cardholders and new cardholders, (ii) if the cardholder does not pay at least three times the minimum payment amount on his/her credit card statement in a year, then his/her credit card cannot be used for cash advance and also will not allow limit upgrade until the total statement amount is paid, and (iii) if the cardholder does not pay the minimum payment amount for three consecutive times, then his/her credit card cannot be used for cash advances or shopping, and such card will not be available for a limit upgrade, until the total amount in the statements is paid.

The BRSA, by amending the Regulation on Bank Cards and Credit Cards, has adopted limitations on instalments of credit cards. Pursuant to such limitations, the instalment payment period for the purchase of goods and services and cash withdrawals is not permitted to exceed 12 months, whereas such limit is four months for jewellery expenditures, six months for electronic appliance and computer purchasing and nine months for expenditures relating to airlines, travel agencies, transportation, accommodation, health and social services and for purchases of health products, payments made to clubs and associations and tax payments). In addition, credit card instalment payments (except for corporate credit cards) are not allowed for telecommunication and related expenses, expenses related to direct marketing, expenditures made outside of Türkiye and purchases of nutriment, liquor, fuels, cosmetics, office equipment, gift cards, gift checks and other similar intangible goods. With respect to corporate credit cards, the instalments for the purchase of goods and services and cash withdrawals are not permitted to exceed 12 months. Also, pursuant to the provisional article to the Regulation on Bank Cards and Credit Cards, the debt balance of a credit card calculated as of 27 September 2016 can be split into instalments limited to 72 months upon the request of the relevant cardholder.

Furthermore, in 2013, the Law on the Protection of Consumers (Law No. 6502) imposed new rules applicable to Turkish banks, such as requiring banks to offer to its customers at least one credit card type for which no annual subscription fee (or other similar fee) is payable. Furthermore, while a bank is generally permitted to charge its customers fees for accounts held with it, no such fees may be payable on certain specific accounts (such as fixed term loan accounts and mortgage accounts).

In 2013, the BRSA published amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments reduced the general reserve requirements for cash and non-cash loans relating to transit trade, export sales, deliveries and services and activities resulting in gains of foreign currency. On 27 September 2016, the BRSA published further amendments to the Regulation on Provisions and Classification of Loans and Receivables, which amendments removed the requirements for the consumer loan provisions calculated according to the ratio of consumer loans to total loans and the ratio of non-performing consumer loans to total consumer loans. In 2013, credit cards were included in the calculation of consumer loans by this regulation and on 27 September 2016, the consumer loan provision rate for credit cards in Group I (Loans of a Standard Nature and Other Receivables) and Group II (Loans and Other Receivables under Close Monitoring) were reduced from 4 per cent. and 8 per cent. to 1 per cent. and 2 per cent., respectively.

In November 2016, the Turkish Central Bank published the Communiqué on Maximum Interest Rates to be applied for Credit Card Transactions, replacing the existing communiqué as of 1 January 2017. Under the new regulation, the Turkish Central Bank determined revised maximum contractual and default interest rates for Turkish Lira and foreign currency credit card transactions. The new monthly maximum contractual interest rates are (as of the date of this Prospectus) 2.81 per cent. and 2.25 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The new monthly maximum default interest rates are (as of the date of this Prospectus) 3.11 per cent. and 2.55 per cent. for credit card transactions in Turkish Lira and foreign currency, respectively. The Turkish Central Bank announces maximum contractual and default interest rates for each January-March, April-June, July-September and October-December period.

#### *Loan Transactions*

On 31 December 2013, the BRSA adopted rules on loan-to-value and instalments of certain types of loans and, on 27 September 2016, the BRSA made certain amendments to such rules. Pursuant to these rules, the minimum loan-to-value requirement for housing loans extended to consumers, financial lease transactions for housing and loans (except auto loans) secured by houses is 80 per cent. (which was 75 per cent. before such amendments), with exceptions for houses that have an energy identification document within the scope of the Energy Efficiency Law No. 5627, for which a higher loan-to-value percentage is applicable. On 19 March 2020, the BRSA (as part of the measures taken against the impacts of the COVID-19 pandemic) published a resolution that increased such loan-to-value requirement to 90 per cent. for houses worth TL 500,000 or less; **provided that** such loans are made to consumers and are not used for the purchase of autos. On 23 June 2022 and 24 February 2023, the BRSA imposed different loan-to-value requirements for housing loans utilised for new and existing homes, again with respect to a house's sales value and energy efficiencies. In addition, the Regulation on Loan Transactions of Banks sets maximum loan-to-value ratios for auto loans extended to consumers, loans secured by autos and autos leased under financial lease transactions, the loan-to-value limit for which varies depending upon the sales price of the applicable vehicle.

On 16 September 2021, the BRSA reduced the overall maturity limit for general purpose loans from 36 months to 24 months for loans over TL 50,000. The BRSA also **provided that** general purpose loans granted before such date can be restructured, for a maximum of 36 months, if requested by the borrower even if their debt balances are over TL 50,000. According to the regulations announced by the BRSA, the total amount of general purpose loans that have more than 24 months maturity and that have been granted after such date must be limited to TL 50,000 per customer and each bank is required to monitor this limit for its own customers. On 9 June 2022, the BRSA further reduced the maturity limit for general purpose loans from 24 months to 12 months for loans over TL 100,000; however, the BRSA also **provided that** general purpose loans granted before 16 September 2021 can be restructured, for a maximum of 36 months, and general purpose loans granted between 16 September 2021 and 9 June 2022 can be restructured, for a maximum of 24 months, if requested by the borrower even if their debt balances are over TL 50,000.

Due to two large earthquakes in Kahramanmaraş on 6 February 2023 that affected 10 different cities, on 7 and 10 February 2023, the BRSA announced (*inter alia*) the following provisional measures to be applied until 1 January 2024 regarding loan transactions of natural and legal persons located in the affected cities (and on 23 February 2023, the BRSA extended such provisional measures to other regions that satisfy certain criteria to be considered disaster areas):

- banks may determine grace periods and/or maturities of retail loans that are newly provided or restructured,

- the maturity thresholds determined under the Regulation on Loan Transactions shall not be applied,
- subject to the request of a borrower, such borrower's principal and interest payments shall be delayed for at least six months; however, whether or not requested by a borrower, so long as no interest/profit share is to be paid by such borrower as a result of such postponement, then such payments shall be delayed for at least six months, and
- in the case of the delay of principal and interest payments for vehicle and retail loans upon the request of the borrower, the maturity thresholds determined under the Regulation on Loan Transactions shall not be applied.

### Foreign Currency Restrictions

**F/X Loan Restriction.** Decree 32 and the Capital Movements Circular of the Central Bank (the "Capital Movements Circular") were amended, effective as of 2 May 2018, in order to introduce restrictions on Turkish resident legal entities utilising foreign currency loans. While this regime maintained the previous prohibition on Turkish individuals utilising foreign exchange loans and foreign exchange-indexed loans, it introduced a strict prohibition on Turkish resident non-bank legal entities (each a "Corporate Borrower") utilising foreign currency-indexed loans, imposed restrictions on Corporate Borrowers utilising foreign currency loans (the "**F/X Loan Restriction**") and provided exemptions relating to a borrower's foreign currency income (the "**F/X Income Exemption**") and foreign currency activities (the "**Activity Exemption**") and based upon the unpaid outstanding balance of a borrower's total foreign currency loans (the "**Loan Balance**").

As far as the F/X Income Exemption is concerned, if the Loan Balance of a Corporate Borrower is below US\$15 million, then the sum of the foreign currency loans to be utilised and the existing Loan Balance must not be more than the combined value of such Corporate Borrower's foreign currency income as stated in its financial statements for the last three fiscal years. Turkish-resident financial institution lenders are required to control whether a Corporate Borrower complies with this rule. In case of any non-compliance with the F/X Loan Restriction rules, Turkish-resident financial institution lenders are required either to cancel or convert into Turkish Lira the portion of the foreign currency loans to such Corporate Borrower that exceeds this value within 10 business days after the date of determination. The cancelled or converted portion of the relevant loans are then deducted from the credit balance of such Corporate Borrower. In case of a breach of this obligation, an administrative monetary fine might be imposed.

In respect of the Activity Exemption, a legal entity must qualify as a public institution, bank, factoring, financial leasing or financing company resident in Türkiye in order to utilise foreign currency loans. In the case of Corporate Borrowers, the Activity Exemption must relate to an activity performed in the last three fiscal years in the context of, among others: (a) a domestic tender with an international element awarded to such Corporate Borrower, (b) defence industry projects approved by the Undersecretariat of Defence Industry, (c) public-private partnership projects or (d) an export, transit trade, sales and related deliveries subject to the relevant Corporate Borrower certifying the scope of its relevant activity and its potential sources of foreign currency incomes (muhtemel döviz geliri). Additionally, loans within the scope of an investment incentive certificate also benefit from the Activity Exemption; **provided that** a Corporate Borrower is required to declare whether any foreign currency loan has been previously utilised based upon the same investment incentive certificate and, if so, such statement must be accompanied with information on the utilisation date, total amount and intermediary bank.

On 8 December 2020, the Turkish Treasury extended the scope of the Activity Exemption by including foreign currency loans made to Turkish-resident legal entities that are shareholders of a Turkish-resident legal entity operating a project established as a public-private partnership if the proceeds of such loan are to be added to the capital of such operating company or are to be used in the project. On 8 July 2021, the Turkish Treasury limited the scope of the Activity Exemption for foreign currency loans for renewable energy generation projects and revised the rules such that both licensed generating plants initiating their operations after 1 July 2021 and certain unlicensed generating plants cannot benefit from the Activity Exemption.

**F/X Transaction Restriction.** On 13 September 2018, Decree 32 was amended to impose restrictions on the use of, or indexing to, foreign currency in the following contracts executed between Persons residing in Türkiye: sale and purchase of movable and immovable property, leasing of all kinds of movable and immovable property (including vehicle and financial leasing), employment, service and construction

contracts. According to such amendments, Turkish residents were required to amend any relevant contract so that the contract price and all other payment obligations thereunder were re-determined in Turkish Lira within a 30-day transition period (i.e., by 13 October 2018). On 6 October 2018 and 16 November 2018, the Turkish Treasury issued an amending communiqué that broadened the scope of, but provided certain exemptions to, these restrictions. Among other exemptions, capital market instruments (including any Certificates issued directly to Turkish investors, subject to restrictions applicable to a resident of Türkiye on directly investing in Notes (or beneficial interests therein) issued outside of Türkiye – see "Transfer and Selling Restrictions") are exempt from these restrictions. Accordingly, the issuance, purchase and sale of capital market instruments in accordance with the Capital Markets Law may be denominated in, or indexed to, foreign currency.

In August 2018, the BRSA capped Turkish banks' exposure under swap, spot and forward transactions with non-residents of Türkiye (except transactions with such banks' non-resident financial subsidiaries and other affiliates that are subject to consolidation) under which transactions the Turkish bank initially pays Turkish Lira and receives foreign currency and, at the maturity date, such bank pays foreign currency and receives Turkish Lira to 25 per cent. of a bank's regulatory capital, then reduced this level to 10 per cent. in February 2020. On 12 April 2020, as part of the government's efforts to contain the possible adverse effects on the Turkish economy of the global uncertainty resulting from the COVID-19 pandemic, the BRSA issued a press release announcing that this level was reduced to 1 per cent., which level was then returned to 10 per cent. on 25 September 2020.

In the case of a bank exceeding this level, new transactions may not be executed or renewed until this level (which is calculated on a daily basis) is attained. In addition, written approval of the BRSA is required in case there needs to be a cancellation or extension of any of these derivatives transactions.

On 18 December 2019, the BRSA announced that the total notional amount of a Turkish bank's currency swaps, forwards, options and other similar products with non-residents in Türkiye (except transactions with such banks' non-resident financial subsidiaries and other affiliates that are subject to consolidation) with a remaining maturity of seven days or fewer where, at the maturity date, such bank pays Turkish Lira and receives foreign exchange shall not exceed 10 per cent. of such bank's most recently calculated regulatory capital. With its press release on 12 April 2020, the BRSA amended this threshold by announcing that transactions with a remaining maturity of seven days or fewer shall not exceed 1 per cent. of the applicable bank's most recently calculated regulatory capital on any given calendar date, which threshold was then returned to 2 per cent. on 25 September 2020 and then increased to 5 per cent. on 11 November 2020 (as of such date, a threshold of 10 per cent. is applied for transactions with a remaining maturity of 30 days or fewer and 30 per cent. for transactions with a remaining maturity of one year or less).

### **Amendments to the Turkish Insolvency and Restructuring Regime**

The Enforcement and Bankruptcy Law No. 2004 prevents a contractual arrangement by which a contractual event of default clause is stipulated to be triggered in case any application is made by a Turkish company for debt restructuring upon settlement (*uzlaşma yoluyla yeniden yapılandırma*) within the scope of this law. In addition, changes were introduced to this law on 15 March 2018 that (*inter alia*) states that the contractual termination, default and acceleration clauses of an agreement cannot be triggered in case the debtor makes a concordat application and such application shall not constitute a breach of such agreement.

On 15 August 2018, the BRSA published the Regulation on Restructuring of Debts in the Financial Sector (the "**Restructuring Regulation**"), which was amended on 21 November 2018 and 12 September 2019, with a view to regulate a financial restructuring opportunity for Turkish companies that have entered into loan transactions with: (a) Turkish banks, (b) financial lease, factoring and financing companies, (c) banks and financial institutions established outside Türkiye, (d) multilateral banks and institutions that directly invest in Türkiye, (e) special purpose companies established by the foregoing institutions for collection of receivables and/or (f) investment funds established as per the Capital Market Law ("**Creditor Institutions**"). The Restructuring Regulation sets forth the procedures and principles on financial restructuring framework agreement(s) (the "Framework Agreement") to be executed amongst the Creditor Institutions.

Accordingly, implementation of the restructuring for companies that are financially indebted against banks and other financial institutions for an outstanding principal amount of TL 25 million or more has been initiated with a framework published on the website of the Banks Association of Türkiye on 14 October 2019. On 8 November 2019, implementation of a restructuring regime for companies that are financially

indebted against banks and other financial institutions for an outstanding principal amount of less than TL 25 million was published. On 16 July 2021, the Banks Association of Türkiye amended the framework agreement and increased the outstanding principal amount of TL 25 million to TL 100 million. As such, certain borrowers of the Bank might apply for restructuring of their debt.

### ***Credit Guarantee Fund ("CGF")***

The CGF was established pursuant to Decree No. 93/4496 dated 14 July 1993 in order to provide guarantees for SMEs and other enterprises, in particular, to those that are not able to obtain bank loans due to their insufficient collateral. In order to improve financing possibilities and contribute to the effective operation of the credit system, pursuant to provisional Article 20 of the Law regarding the Regulation of Public Financing and Debt Management (Law No. 4749) dated 28 March 2002, resources up to TL 2 billion could be transferred by the Minister in charge of the Turkish Treasury to the credit guarantee institutions. Such amount was increased to TL 25 billion in accordance with the Law No. 6770 dated 18 January 2017. In addition, pursuant to Decree No. 2016/9538 on Treasury Support to be provided to the Credit Guarantee Institutions (published in the Official Gazette No. 29896 and dated 22 November 2016) (as amended), the CGF guarantees are supported by the Turkish Treasury. Pursuant to an amendment to such Decree that was published in the Official Gazette dated 30 March 2020, the Turkish Development and Investment Bank was added among the eligible lenders and natural persons were explicitly added as eligible borrowers. On 30 March 2020, an additional TL 25 billion limit was allocated by the government under the CGF guarantee in order to address the economic impact of the COVID-19 pandemic, increasing the amount available under the CGF programme to TL 185 billion, and the total amount of guarantees that may be given by the CGF was increased from TL 250 billion to TL 500 billion (along with increases in the guarantee limits with respect to individual borrower groups). On 13 August 2022, the total amount of guarantees that may be given by the CGF was increased from TL 500 billion to TL 1 trillion. Additional increases have been implemented that are tailored to specific sectors.

Pursuant to Presidential Decree No. 162 published in the Official Gazette dated 11 October 2018, loans guaranteed by the Turkish Treasury under the CGF programme may be restructured up to 96 months for working capital loans and up to 156 months for investment loans. Such Presidential Decree also requires lenders to provide an opportunity to borrowers to restructure their CGF -guaranteed loans prior to any recourse to the CGF guarantee. According to Presidential Decree No. 7550 published in the Official Gazette dated 3 September 2023, the scope of the beneficiaries under the SME definition was expanded including newly established enterprises whose first-year accounts have not yet been approved.

### **Turkish Lira Borrowing Restrictions**

On 24 June 2022, the BRSA introduced Turkish Lira borrowing restrictions for non-financial institution companies that are subject to independent audit. Pursuant to these restrictions, such companies may only borrow Turkish Lira denominated commercial cash loans from Turkish banks and financial leasing, factoring and financing companies subject to various restrictions depending upon the amount of their foreign currency assets (including (*inter alia*) gold, foreign currency cash, foreign exchange deposits and foreign currency-denominated securities but excluding foreign currency-denominated securities issued by Türkiye itself).

According to these restrictions, these companies with such foreign currency assets of the equivalent of at least TL 10 million at the time of loan application are not permitted to receive Turkish Lira-denominated commercial cash loans (including swap transactions) from Turkish banks and financial leasing, factoring and financing companies if such foreign currency assets exceed 5 per cent. of the higher of their total assets and net sales revenue for the most recent financial year. The BRSA has, however, provided an exception for companies who are not permitted to borrow Turkish Lira-denominated commercial cash loans due to this restriction and foreign currency-denominated loans due to other restrictions imposed by applicable laws at the time of the loan application, which companies are permitted to borrow Turkish Lira-denominated commercial cash loans in an amount up to the amount of their three month foreign currency net position deficit as declared by the company at the time of loan application and then confirmed by the company's independent auditors or a certified public accountant at the end of every three month period. Where any such companies have entities that consolidate into them, these calculations are made on a consolidated basis (though disregarding non-Turkish entities).

Such companies with such foreign currency assets of less than the above-noted amount are permitted to borrow Turkish Lira-denominated commercial cash loans; **provided that** they submit a declaration that:

(a) their current foreign exchange assets, total assets and net sales revenue for the most recent financial year do not exceed the relevant thresholds at the time of the loan application and (b) they undertake that the Turkish Lira equivalent of their foreign exchange assets will not exceed such amount (or, if it exceeds such amount, it will not exceed 5 per cent. of the higher of their total assets and net sales revenue for the last financial year ending during the term of such loan). In addition, such companies must (every three months) submit to the lending bank(s) a declaration confirmed by their independent auditor or a certified public accountant reaffirming that the above remain true in order to ensure that such bank(s) is/are able to monitor such declaration and undertaking. However, due to the 6 February 2023 earthquakes with a magnitude of 7.7 and 7.6 respectively on the Richter scale that occurred in Kahramanmaraş and impacted 10 different cities, on 10 February 2023 the BRSA announced that such confirmations of the independent auditors or certified public accountants for the loans provided to the companies incorporated in the affected cities between 1 October 2022 and 31 December 2022, may be submitted to the relevant creditor banks until 31 March 2023, and for the loans provided or to be provided to the companies incorporated in the affected cities between 1 January 2023 and 31 March 2023, may be submitted to the relevant creditor banks until 30 June 2023. Additionally, on 23 February 2023, the BRSA stated these provisional measures shall also be applied to the disaster areas effective in general life which shall be determined according to the criteria regulated under the Regulation on the Basic Rules Regarding the Effectiveness of Disasters to General Life published in the Official Gazette dated 21 September 1968 and numbered 13007.

In addition, (i) TRY spot cash commercial loans: (a) in respect of which a contract was signed (but the disbursement had not yet taken place) as of 24 June 2022; and (b) which were disbursed within the week starting on 27 June 2022 will not be subject to the Turkish Lira borrowing restrictions; and the banks are not required to conduct further checks to ensure compliance with the Turkish Lira borrowing restrictions with respect to these loans; and (ii) the companies which will become subject to the requirement to undertake an independent audit for the first time at the year-end of 2022, will not be subject to the Turkish Lira borrowing restrictions.

#### **Additional Temporary Measures**

In addition to the other temporary measures described above relating to the government's response to the COVID-19 pandemic, the BRSA announced on 23 March 2020 (effective until 31 December 2020) and 16 April 2020 certain measures to support banks' calculation of capital adequacy ratios and net foreign currency positions. Pursuant to these rules, banks are entitled to:

- (a) use 31 December 2019 exchange rates in certain capital and other calculations, which was then revised by the BRSA on 8 December 2020 (and further extended on 17 June 2021 and 16 September 2021) to allow banks to use the arithmetic mean of the Central Bank's foreign exchange buying rates during the previous 252 business days as of the calculation date until such date as determined by the BRSA (on 21 December 2021, the BRSA announced that banks shall (if using this approach) use the average of the Central Bank's foreign exchange buying rates during the 252 business days ending on 31 December 2021; on 28 April 2022, the BRSA amended this rule so that, until such date as determined by the BRSA, banks may use the Central Bank's foreign exchange buying rates as at 31 December 2021 in certain capital and other calculations; and on 31 January 2023, the BRSA further amended this rule so that, until such date as determined by the BRSA, banks may use the Central Bank's foreign exchange buying rates as at 30 December 2022 in such calculations),
- (b) calculate the level of capital used in capital adequacy ratio calculations by disregarding through 31 December 2020 (as per the BRSA's decision dated 8 December 2020, extended through 30 June 2021) the negative net valuation differences related to securities held as of 23 March 2020 in the portfolio of financial assets at fair value through other comprehensive income (on 17 June 2021, the BRSA indefinitely suspended the application of clause (b) from 30 June 2021, and then, as per its decision dated 21 December 2021, ended the suspension other than for the securities whose fair value difference is reflected in other comprehensive income were negative as of 21 December 2021, for securities after 21 December 2021 whose fair value difference is reflected in other comprehensive income, the relevant provisions of the Regulation on Banks' Equity will continue to be implemented), and
- (c) use 0 per cent. risk weightings for foreign currency-denominated receivables owed by the centralised administration (i.e., Turkish state institutions and other public institutions that do not have a separate legal entity and act under the legal entity of the Turkish sovereign) while

calculating the amount of exposure subject to credit risk in accordance with the standardised approach as determined under the Capital Adequacy Regulation.

On 27 March 2020, in line with the Economic Stability Shield Package announced by President Erdogan on 18 March 2020, the Banks Association of Türkiye issued a press release regarding a new "Check Payment Credit Support" and "Economic Stability Shield Credit Support" for banks. These governmental credit supports, pursuant to which banks were able to provide loans to corporate, commercial and (in particular) SME clients, had a maturity of 12 months and an interest rate of 9.5 per cent. per annum and required no principal or interest payments for three months. The maximum credit amounts that could be lent by a Turkish bank to a customer under these support programmes was determined based upon such customer's annual turnover.

On 18 April 2020, the BRSA introduced (and on 30 April 2020 clarified) a new test referred to as the "Asset Ratio," which ratio banks (excluding development and investment banks and banks under the management of the SDIF) were originally required to meet (on an unconsolidated basis) on a weekly basis starting from 1 May 2020. The monthly average of the Asset Ratio, which was a modified form of a financial assets (e.g., loans and securities) to deposits ratio and was (*inter alia*) intended to measure (and encourage) a bank's use of deposits for active lending (particularly in Turkish Lira) as opposed to investing in securities or other financial assets (particularly in foreign currencies), was not to be lower than 100 per cent. for deposit-taking banks and 80 per cent. for participation banks (which ratios were later reduced to 90 per cent. and 70 per cent.). Any failure to satisfy this minimum level would have subjected the applicable bank to a fine of up to 5 per cent. of the shortfall, which fine was not to be less than TL 500,000 in any case. As of 24 November 2020, this requirement was eliminated by the BRSA (effective as at 31 December 2020) as part of the normalisation process after the initial impact of the COVID-19 pandemic.

On 22 April 2020, the Central Bank increased from 20 per cent. to 30 per cent. its limit on the amount of a bank's swap sales (i.e., purchase of a bank's foreign exchange by the Central Bank in return for Turkish Lira) in relation to such bank's total foreign exchange transaction limits with the Central Bank. In May 2020, the Central Bank gradually increased this limit from 30 per cent. to 50 per cent., which was increased further to 60 per cent. on 26 November 2020. These changes were expected to result in an increase in the foreign exchange reserves held by the Central Bank while enabling Turkish banks to access additional Turkish Lira funding.

On 5 May 2020, the BRSA imposed a new requirement that certain Turkish Lira transactions (i.e., Turkish Liradenominated placements, loans, deposits and repurchase transactions) performed by a Turkish bank with foreign financial institutions, including such Turkish bank's foreign branches and consolidated foreign subsidiaries regarded as credit institutions and financial institutions, are limited to 0.5 per cent. (increased to 2.5 per cent. as at 30 November 2020) of such Turkish bank's latest calculated shareholders' equity (as calculated daily on a bank-only basis) as reported to the BRSA on a monthly basis.

If a Turkish bank exceeds such limit, then such bank is not be allowed to enter into any new such transactions (or renew any existing such transactions upon their maturity) until such bank is in compliance with this limit. On 20 May 2020, the BRSA declared that any such transactions that clear through Euroclear or Clearstream, Luxembourg are not to be included in the numerator of such calculation (on 28 July 2020, the BRSA clarified that this exemption will be limited only to the clearing activities of securities denominated in Turkish Lira and exempted from the restrictions on access to Turkish Lira swap transactions that satisfy certain criteria). On 6 August 2020, the BRSA announced certain exemptions to this restriction in favour of foreign financial institutions (other than international development banks) for the following transactions: (a) entering into foreign currency swap trades, under which the foreign financial institution buys Turkish Lira in exchange for foreign currency at the initial exchange date (i.e., where the foreign bank will sell Turkish Lira at the maturity date), (b) entering into swap trades entered into in the Borsa Istanbul foreign exchange swap market, where the foreign bank buys Turkish Lira in exchange for foreign currency at the initial exchange date, (c) entering into repo and reverse repo transactions in the Borsa Istanbul repo market and (d) holding Turkish Lira- denominated deposits with Turkish banks; provided, in each case, that: (i) the foreign financial institution may only invest in Turkish Lira denominated securities with the Turkish Lira received as a result of such transactions, and must deposit any excess Turkish Lira liquidity into accounts held with Turkish financial institutions, and (ii) the relevant foreign financial institution must give an undertaking to its Turkish counterpart with respect to the intended use of Turkish Lira proceeds and obtain the BRSA's prior approval in this respect. On 30 November 2020, the BRSA further exempted from this calculation overdraft facilities extended to foreign financial institutions. This new measure aims to

increase the efficient use of Turkish Lira resources and is expected to be effective until the extraordinary conditions that exist due to the COVID-19 pandemic have ceased.

On 20 June 2020, the Central Bank announced the temporary suspension (until 25 December 2020) of its 9 December 2019 rule on having adjusted real loan growth rate lower than 15 per cent. for banks with an annual real loan growth rate higher than 15 per cent. in order for such banks to be able to benefit from certain reserve requirement incentives. This change primarily focused on the increased loan demand of both corporates and individuals, whose cash flows are impacted by the COVID-19 pandemic, while aiming to provide banks with flexibility in meeting such loan demand. This rule was then permanently repealed on 27 November 2020 as noted in "-Liquidity Reserve Requirements" above.

Additionally, on 17 February 2023, the Presidency of Türkiye published the Presidential Decree numbered 124 and determined that the donations to be made by the banks during the state of emergency shall not be subject to the limitation set out under Article 59 of the Banking Law. The Presidential Decree numbered 124 had the aim of supporting the donations to be made in relation to the 6 February 2023 earthquakes that occurred in Kahramanmaraş and affected 10 different cities.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

*The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available both in electronic and physical format, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the registered office of the Issuer and the specified London office of the Principal Paying Agent. Capitalised terms not defined below have the meaning given to them in the Conditions or in the relevant Transaction Documents.*

### Purchase Agreement

The Purchase Agreement will be entered into on the Closing Date between Ziraat Katılım (in its capacity as seller, the "**Seller**"), Ziraat Katılım Varlık Kiralama A.Ş. (in its capacity as purchaser, the "**Purchaser**") and the Representative and will be governed by Turkish law.

Pursuant to the Purchase Agreement, the Seller will, on the Closing Date, sell, transfer and assign to the Purchaser (in its own name and on behalf of the Certificateholders) the Seller's rights, title (other than legal title (kuru mülkiyet), interests, benefits and entitlements in, to and under certain eligible Lease Assets and/or Tangible Investment Sukuk, each as identified in schedule 1 (*The Initial Assets*) to the Purchase Agreement (the "**Initial Assets**"). Under the terms of each Purchase Agreement, the Seller will represent and warrant to the Purchaser that each Initial Asset is an Eligible Portfolio Asset.

The Purchaser shall pay, or procure the payment of, the full amount of the Purchase Price to the Seller in freely available funds on the Closing Date in consideration for the sale, transfer and assignment of the Initial Assets by the Seller to the Purchaser. Under the terms of the Purchase Agreement, the Seller will represent and warrant to the Purchaser on the Closing Date that the Purchase Price (excluding the portion of the Purchase Price attributable to the Intangible Part of any Tangible Investment Sukuk comprised in the Initial Assets) is not less than 55 per cent. of the aggregate face amount of the Certificates.

### Service Agency Agreement

The Service Agency Agreement will be entered into on the Closing Date between the Issuer, Ziraat Katılım (in its capacity as service agent for and on behalf of the Issuer, the "**Service Agent**") and the Representative and is governed by English law.

Pursuant to the Service Agency Agreement, the Issuer, holding the Lease Certificate Assets in its own name and on its own behalf but for the benefit and account of the Certificateholders, will irrevocably appoint Ziraat Katılım as Service Agent to perform certain services on its behalf.

Pursuant to the terms of the Service Agency Agreement, the Service Agent will undertake to the Issuer that it shall provide the following services (as agent of the Issuer) during the period commencing on the Closing Date and ending on the date on which all the Certificates are redeemed in full (the "**Portfolio Ownership Period**"):

- (a) it shall service the Portfolio on behalf of the Issuer in accordance with the relevant provisions of the Service Agency Agreement;
- (b) it shall, subject to the terms of the Service Agency Agreement, ensure that, at all times on and after the Closing Date, the Tangibility Ratio is more than 50 per cent.. If at any time the Tangibility Ratio falls:
  - (i) to 50 per cent. or less (but is 33 per cent. or more), the Service Agent shall take any and all steps (in consultation with Ziraat Katılım's *Shari'a* Advisory Board) as may be required to ensure that such Tangibility Ratio is restored to more than 50 per cent. within the time period determined by Ziraat Katılım's *Shari'a* Advisory Board; and
  - (ii) to less than 33 per cent. (such event, being a "**Tangibility Event**"), within 10 Business Days of the Service Agent becoming aware of the occurrence of the Tangibility Event, the Service Agent shall send a Tangibility Event Issuer Notice providing notice to the Issuer and the Representative of such occurrence and requesting the Issuer to promptly deliver a Tangibility Event Notice to the relevant Certificateholders in accordance with Condition 11.3 (*Dissolution at the Option of the Certificateholders (Tangibility Event Put Right)*),

provided that, any breach of paragraph (b) above, other than the failure by the Service Agent to deliver a Tangibility Event Issuer Notice, will not constitute a Ziraat Katılım Event;

- (c) it may, if at any time there are Portfolio Principal Revenues standing to the credit of the Principal Collection Account and, to the extent that Ziraat Katılım has further Eligible Portfolio Assets (the **"Further Portfolio Assets"**) available for sale to the Issuer (which Ziraat Katılım shall use its reasonable endeavours to identify), notify the Issuer in writing of:
- (i) the Portfolio Principal Revenues standing to the credit of the Principal Collection Account and freely available for use by the Issuer for the purposes of purchasing Further Portfolio Assets;
  - (ii) the Portfolio Assets in respect of which the Portfolio Principal Revenues were received including a breakdown specifying what portion of Portfolio Principal Revenues were received from each such Portfolio Asset; and
  - (iii) the details and Value (as at the date on which the Further Portfolio Assets are to form part of the Portfolio) of the Further Portfolio Assets as selected by Ziraat Katılım provided that:
    - (A) any Portfolio Principal Revenues to be applied towards the purchase of a Further Portfolio Asset are not greater than the Value of that Further Portfolio Asset (as at the date on which that Further Portfolio Asset is to form part of the Portfolio); or
    - (B) where the Portfolio Principal Revenues were received in respect of:
      - (1) a Lease Asset, any Further Portfolio Asset to be purchased with such Portfolio Principal Revenues is a Lease Asset or a Tangible Investment Sukuk where the Tangible Part constitutes 100 per cent. of such Tangible Investment Sukuk; or
      - (2) a Tangible Investment Sukuk, any Further Portfolio Asset to be purchased with such Portfolio Principal Revenues is a Lease Asset or a Tangible Investment Sukuk where the Tangible Part constitutes the same portion of such Tangible Investment Sukuk as the Tangible Part of the Tangible Investment Sukuk from which the Portfolio Principal Revenues were received,
- provided that, in each case, if Ziraat Katılım does not have any Lease Assets or Tangible Investment Sukuk that meet the criteria specified in paragraphs (1) or (2) above, as the case may be, available for sale to the Issuer (after using its reasonable endeavours to identify such Eligible Portfolio Assets), the Further Portfolio Assets in the case of paragraph (1) or (2) above, as the case may be, shall be any other Eligible Portfolio Assets that are available for sale to the Issuer;
- (d) it shall do all acts and things (including execution of such documents, issue of notices and commencement of any proceedings) that it reasonably considers necessary (and without the need for consent of the Issuer) to ensure the assumption of, and compliance by each Asset Obligor with, its covenants, undertakings or other obligations under the Asset Contracts (including, without limitation, those covenants, undertakings and obligations of maintenance and insurance (including Islamic insurance) where applicable) in accordance with applicable law and the terms of the Asset Contracts;
- (e) it shall discharge or procure the discharge of all obligations to be discharged by Ziraat Katılım (in whatever capacity) in respect of any of the Portfolio Assets under all Asset Contracts, it being acknowledged that the Service Agent may appoint one or more agents to discharge these obligations on its behalf;
- (f) it shall pay on behalf of the Issuer any actual costs, expenses, actual losses and taxes which would otherwise be payable by the Issuer as a result of the Issuer's ownership of the Portfolio;

- (g) it shall use all reasonable endeavours to ensure the timely receipt of all Portfolio Revenues (free and clear of, and without withholding or deduction for, taxes), investigate non-payment of Portfolio Revenues and generally make all reasonable efforts to collect or enforce the collection of all Portfolio Revenues as and when the same shall become due, including so that the Portfolio Income Revenues in respect of each Return Accumulation Period are at least equal to the Expected Portfolio Income Revenues Amount, and shall record such Portfolio Revenues in the relevant Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (h) it shall maintain the Collection Accounts in accordance with the terms of the Service Agency Agreement;
- (i) it shall not agree to any reduction in any amount payable under any Asset Contract or any postponement or other rescheduling of the due date for such payment;
- (j) it shall obtain and maintain all necessary licences, authorisations and consents in connection with any of the Portfolio Assets, the Asset Contracts and its obligations under or in connection with the terms of the Service Agency Agreement;
- (k) it shall ensure that (A) each sukuk obligor of each Tangible Investment Sukuk, and (B) each lessee under the Lease Financing Contracts relating to those Lease Assets, in each case, forming part of the Portfolio (in its relevant capacity whether directly or through an agent):
  - (i) maintains industry standard insurances, on a *Shari'a*-compliant basis where applicable; and
  - (ii) fulfils all structural repair and major maintenance obligations,
 in relation to assets underlying the Tangible Investment Sukuk and/or the Lease Assets in accordance with the terms of the Tangible Investment Sukuk Contracts and/or Lease Financing Contracts (as applicable);
- (l) it shall procure that any Portfolio Assets included in the Portfolio are maintained to a standard it would hold in respect of its own assets;
- (m) and it shall carry out any incidental matters relating to any of the above.

The Service Agent will maintain three separate ledger accounts (such accounts being referred to in this Agreement as the "**Principal Collection Account**", the "**Income Collection Account**" and the "**Reserve Collection Account**") in its books each of which shall be denominated in U.S. dollars and be non-profit bearing.

If there is a shortfall on a Periodic Distribution Determination Date (after payment into the Transaction Account of the relevant amount in accordance with paragraph (b) above) between (i) the amount standing to the credit of the Transaction Account; and (ii) the Required Amount payable on the immediately following Periodic Distribution Date (the difference between such amounts being referred to in this Agreement as a "**Periodic Distribution Shortfall**"), the Service Agent shall pay into the Transaction Account on that Periodic Distribution Determination Date from the amounts standing to the credit of the Reserve Collection Account (if any) an amount equal to the Periodic Distribution Shortfall (or such lesser amount as is then standing to the credit of the Reserve Collection Account).

If, following payment of amounts standing to the credit of the Income Collection Account and the Reserve Collection Account in accordance with the terms of the Service Agency Agreement, a Periodic Distribution Shortfall remains on any Periodic Distribution Determination Date (other than where the relevant Periodic Distribution Date is a Dissolution Date on which all of the Certificates are to be redeemed in full), the Service Agent shall on the relevant Periodic Distribution Determination Date:

- (a) *firstly*, use any amounts standing to the credit of the Principal Collection Account, to pay into the Transaction Account an amount equal to the lesser of the remaining Periodic Distribution Shortfall and the balance of the Principal Collection Account; and
- (b) *secondly*, where the amounts paid into the Transaction Account pursuant to paragraph (a) above are insufficient to cover the Periodic Distribution Shortfall, immediately on the relevant Periodic

Distribution Determination Date, deliver a Periodic Distribution Shortfall Notice to the Issuer notifying the Issuer of (1) the amount of the remaining Periodic Distribution Shortfall and (2) details of the relevant Portfolio Assets proposed to be liquidated on the relevant Periodic Distribution Determination Date in accordance with the terms of the Transaction Documents in order to fund such remaining Periodic Distribution Shortfall provided that the Portfolio Assets shall comprise:

- (i) *firstly*, Tangible Investment Sukuk forming part of the Portfolio; and
- (ii) *secondly*, to the extent the Value of the Tangible Investment Sukuk then comprised within the Portfolio is less than the amount of the remaining Periodic Distribution Shortfall, Lease Assets forming part of the Portfolio.

The Service Agent will undertake in the Service Agency Agreement that:

- (a) it shall not take any steps during the Portfolio Ownership Period that will result in the Portfolio not comprising any Portfolio Assets at any time; and
- (b) notwithstanding the terms of any Lease Financing Contract or Tangible Investment Sukuk Contract in respect of the Portfolio Assets, it shall maintain actual or constructive possession, custody or control of all of the Portfolio Assets *comprising* the Portfolio at all times during the Portfolio Ownership Period.

Following receipt of the notice referred to in paragraph (c) above, the Issuer shall pay, or procure the payment by the Service Agent of, a purchase price (the "**Further Portfolio Asset Purchase Price**"), which shall be no greater than the Value of the Further Portfolio Assets (as at the date on which such Further Portfolio Assets are to form part of the Portfolio), to or to the order of Ziraat Katılım against the sale, assignment and transfer to the Issuer of all of Ziraat Katılım's rights, title, interests, benefits and entitlements, in, to and under the relevant Further Portfolio Assets subject to the execution, and pursuant to and on the terms, of a separate purchase agreement substantially in the form, *mutatis mutandis*, of the Purchase Agreement, in each case, on the date on which the notice referred to in paragraph (c) above is received by the Issuer, provided that:

- (a) immediately following such sale, assignment and transfer, the Portfolio Value (which, for the purposes of this paragraph, shall exclude all Murabaha Profit forming part of the Deferred Sale Price then outstanding) shall be at least equal to the Portfolio Value Requirement at that time; and
- (b) the Further Portfolio Asset Purchase Price shall be debited (or equivalent) by the Service Agent from the Principal Collection Account and retained by Ziraat Katılım on the date of such sale, assignment and transfer (the "Further Portfolio Asset Purchase Date") and such debiting (or equivalent) of the Further Portfolio Asset Purchase Price from the Principal Collection Account shall constitute full discharge of the obligation of the Issuer to pay the Further Portfolio Asset Purchase Price under this paragraph.

The Service Agent shall provide the Services (i) in accordance with all applicable laws and regulations, (ii) with the degree of skill and care that it would exercise in respect of its own assets and (iii) without prejudice to the relevant provisions of the Service Agency Agreement, in accordance with *Shari'a* principles as laid down by Ziraat Katılım's Shari'a Advisory Board.

The Service Agent shall be entitled to receive a fee for acting as service agent which comprises a fixed fee of U.S.\$100 and may also receive additional incentive payments as described below.

The Service Agent will agree in the Service Agency Agreement that the Service Agent shall deliver an Impaired Portfolio Asset Notice to the Issuer promptly upon becoming aware that any Portfolio Asset has ceased to be an Eligible Portfolio Asset (the occurrence of such event being an "**Impaired Portfolio Asset Event**") and it shall, together with the delivery of such Impaired Portfolio Asset Notice, notify the Issuer of the availability (if any and as notified by Ziraat Katılım), together with all necessary details of any new Eligible Portfolio Asset for the purposes of substituting the Portfolio Asset in respect of which an Impaired Portfolio Asset Event has occurred in accordance with the terms of the Transaction Documents.

All Portfolio Revenues will be recorded:

- (a) to the extent that any such amounts comprise Portfolio Income Revenues, in the Income Collection Account; and
- (b) to the extent that any such amounts comprise Portfolio Principal Revenues, in the Principal Collection Account.

Amounts standing to the credit of the Income Collection Account will be applied by the Service Agent on each Periodic Distribution Determination Date in the following order of priority:

- (a) *first*, in payment to the Service Agent on behalf of the Issuer of any Service Agent Liabilities Amounts for the Return Accumulation Period ending on the immediately following Periodic Distribution Date and (if applicable) any Service Agent Liabilities Amounts for any previous Return Accumulation Period that remain unpaid;
- (b) *second*, in payment into the Transaction Account of an amount equal to the lesser of the Required Amount payable on the immediately following Periodic Distribution Date and the balance of the Income Collection Account; and
- (c) *third*, any amounts still standing to the credit of the Income Collection Account immediately following payment of all of the above amounts shall be debited from the Income Collection Account and credited to the Reserve Collection Account.

The Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Collection Account at any time during the Portfolio Ownership Period and use such amounts for its own account, provided that such amounts shall be immediately repaid by it if so required to fund a Periodic Distribution Shortfall or upon the occurrence of a Dissolution Event, a Tax Event or a Tangibility Event.

Following payment of all amounts due and payable under the Certificates in full on any Dissolution Date upon which all (but not some) of the Certificates are to be redeemed, the Service Agent shall be entitled to retain any amounts that remain standing to the credit of the Reserve Collection Account for its own account as an incentive payment for acting as Service Agent (an "**Incentive Payment**").

Ziraat Katılım's *Shari'a* Advisory Board shall monitor compliance of the Transaction Documents and the Certificates in accordance with the *Shari'a* Standards issued from time to time by the Accounting and Auditing Organisation for Islamic Financial Institutions and as interpreted by Ziraat Katılım's *Shari'a* Advisory Board.

Except as provided in the paragraph below, the Service Agent will agree under the Service Agency Agreement that all payments made by it thereunder must be made in U.S. dollars without any deduction or withholding for or on account of Tax (unless required by law) and without set-off or counterclaim of any kind and, in the event that there is any such deduction or withholding required by law, the Service Agent shall pay all additional amounts as will result in the receipt by the Issuer or the Representative, as the case may be, of such net amounts as would have been received by it if no withholding or deduction had been made.

To the extent that there are any outstanding Service Agent Liabilities Amounts on the Scheduled Dissolution Date (or any earlier Dissolution Date on which all (but not some only) of the Certificates are to be redeemed), the full amounts of such Service Agent Liabilities Amounts shall be set-off against payment by Ziraat Katılım of the relevant Portfolio Exercise Price upon exercise of the Purchase Undertaking or Sale and Substitution Undertaking, as the case may be.

The Service Agent will undertake under the Service Agency Agreement that the payment obligations of the Service Agent under the Service Agency Agreement are and will be direct, unconditional, unsubordinated and (subject to the provisions described in Condition 5 (*Negative Pledge*)) unsecured obligations of the Service Agent and will at all times rank *pari passu* among themselves and (save for certain obligations required to be preferred by law and subject to the provisions described in Condition 5 (*Negative Pledge*)) at least equally with all its other present and future unsubordinated and unsecured obligations from time to time outstanding.

## Purchase Undertaking

The Purchase Undertaking will be executed on the Closing Date by Ziraat Katılım in favour of the Issuer and the Representative, and will be governed by English law.

Pursuant to the Purchase Undertaking, Ziraat Katılım will irrevocably grant to the Issuer and the Representative (in each case, on behalf of itself and the Certificateholders) each of the following rights:

- (a) provided that (i) a Dissolution Event has occurred and is continuing and (ii) the Representative has, pursuant to Condition 15 (*Dissolution Events*), given notice to the Issuer, Ziraat Katılım and the holders of the Certificates in accordance with Condition 18 (*Notices*) that the Certificates are immediately due and payable at the Dissolution Event Amount, on the date of such notice (the "**Dissolution Event Redemption Date**"), at any time on or prior to the Scheduled Dissolution Date, to require Ziraat Katılım to purchase, on the Dissolution Event Redemption Date, all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets at the Exercise Price specified in the relevant Exercise Notice;
- (b) to require Ziraat Katılım to purchase, on the Scheduled Dissolution Date, all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets at the Exercise Price specified in the relevant Exercise Notice;
- (c) provided that a Change of Control has occurred, at any time on or prior to the Scheduled Dissolution Date, and one or more Certificateholders have exercised the Change of Control Put Right in accordance with the Conditions, to require Ziraat Katılım to purchase, on the Change of Control Put Right Date, all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Change of Control Portfolio Assets at the Change of Control Exercise Price specified in the relevant Exercise Notice; and
- (d) provided that a Tangibility Event has occurred, at any time on or prior to the Scheduled Dissolution Date, and one or more Certificateholders have exercised the Tangibility Event Put Right in accordance with the Conditions, to require Ziraat Katılım to purchase, on the Tangibility Event Put Right Date, all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Tangibility Event Put Right Portfolio Assets at the Tangibility Event Put Right Exercise Price specified in the relevant Exercise Notice,
- (e) provided that:
  - (i) either:
    - (A) the Issuer has received a Periodic Distribution Shortfall Notice notifying the Issuer that there remains a Periodic Distribution Shortfall (the "**Remaining Periodic Distribution Shortfall**") on any Periodic Distribution Determination Date; or
    - (B) the Issuer otherwise becomes aware that there is a Remaining Periodic Distribution Shortfall on any Periodic Distribution Determination Date (other than where the relevant Periodic Distribution Date is a Dissolution Date on which all of the Certificates are to be redeemed); and
  - (ii) immediately following the purchase of all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the relevant Periodic Distribution Shortfall Portfolio Assets the Tangibility Ratio will not be less than or equal to 50 per cent.,to require Ziraat Katılım to purchase all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Periodic Distribution Shortfall Portfolio Assets at the Periodic Distribution Shortfall Exercise Price specified in the relevant Exercise Notice, provided that the Periodic Distribution Shortfall Portfolio Assets shall have an aggregate Value (as at the relevant Periodic Distribution Determination Date) equal to the Periodic Distribution Shortfall Exercise Price;
- (f) provided that the Issuer has received an Impaired Portfolio Asset Notice from the Service Agent in accordance with the Service Agency Agreement, to require Ziraat Katılım on the Impaired

Portfolio Asset Exercise Date to accept the transfer and assignment from the Issuer of all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the relevant Impaired Portfolio Assets against the transfer and assignment to the Issuer of all of Ziraat Katılım's rights, title, interests, benefits and entitlements in, to and under the New Portfolio Assets, provided that:

- (i) the New Portfolio Assets are of an aggregate Value (as at the Impaired Portfolio Exercise Date) which (1) is equal to or greater than the Value (as at the Impaired Portfolio Exercise Date) of the Impaired Portfolio Assets and (2) when aggregated with the Value of any Portfolio Assets or substituted on the Impaired Portfolio Asset Exercise Date, will not, of itself, result in the Tangibility Ratio being less than or equal to 50 per cent.; and
- (ii) immediately following the substitution of the Impaired Portfolio Assets for the New Portfolio Assets, the Portfolio Value (which, for the purposes of this paragraph (ii), shall exclude all Murabaha Profit forming part of the Deferred Sale Price then outstanding) shall be at least equal to the Portfolio Value Requirement at that time;
- (iii) the Tangibility Ratio immediately following the substitution of the Impaired Portfolio Assets for the New Portfolio Assets shall be no less than the Tangibility Ratio (which, for these purposes, shall take into account each Impaired Portfolio Asset immediately prior to it becoming an Impaired Portfolio Asset) immediately before the substitution of the Impaired Portfolio Assets for the New Portfolio Assets; and
- (iv) no Exercise Notice or Impaired Portfolio Asset Instruction has been delivered under the Purchase Undertaking nor has any Exercise Notice, Substitution Notice or Redemption and Cancellation Notice (each as defined in the Sale and Substitution Undertaking) been delivered under the Sale and Substitution Undertaking in respect of Portfolio Assets that include the Impaired Portfolio Assets (or any of them) where such notice remains outstanding and the related redemption of Certificates referred to therein has not occurred in accordance with the Conditions or, as the case may be, the related substitution or cancellation has not yet occurred in accordance with the Sale and Substitution Undertaking,

in each case on an "as is" basis but free and clear of any adverse claim and otherwise on the terms and subject to the conditions of Purchase Undertaking.

In order to exercise these rights, the Issuer (or, pursuant to the provisions of the Purchase Undertaking, the Representative as applicable, in its name and on its behalf) is required to deliver an Exercise Notice to Ziraat Katılım under, and in accordance with, the terms of the Purchase Undertaking.

The "**Exercise Price**", the "**Change of Control Exercise Price**" or "**Tangibility Event Put Right Exercise Price**" (as the case may be) payable by Ziraat Katılım (as obligor) shall be equal to:

- (a) the aggregate of:
  - (i) the aggregate face amount of the Certificates then outstanding on the relevant Dissolution Date or the Certificates to be redeemed on the Tangibility Event Put Right Date or the Change of Control Put Right Date; plus
  - (ii) an amount equal to all accrued and unpaid Periodic Distribution Amounts (if any) relating to such Certificates; plus
  - (iii) if all of the Certificates are being redeemed, to the extent not previously satisfied in accordance with the Service Agency Agreement, an amount equal to the sum of any outstanding amounts payable in respect of any Service Agent Liabilities Amounts; plus
  - (iv) without double counting, an amount representing any amounts payable by the Issuer (in any capacity) under the Transaction Documents (including but not limited to amounts due but unpaid pursuant to Condition 6.3(a)) (*Application of Proceeds from the Lease Certificate Assets*),

less
- (b) the Deferred Sale Price (or the applicable proportion thereof, as the case may be) then outstanding.

The "**Periodic Distribution Shortfall Exercise Price**", in respect of an exercise of the right set out in paragraph (e) above, shall be an amount equal to the relevant Remaining Periodic Distribution Shortfall.

Ziraat Katılım will undertake in the Purchase Undertaking that it shall irrevocably and unconditionally fully accept such ownership interest that the Issuer may have in the Portfolio Assets, the Change of Control Portfolio Assets, the Tangibility Event Put Right Portfolio Assets, the Periodic Distribution Shortfall Portfolio Assets or the Impaired Portfolio Assets, as the case may be, and, accordingly, shall not dispute or challenge such ownership interest the Issuer may have in any way.

Ziraat Katılım will further undertake in the Purchase Undertaking that:

- (a) if, at the time of delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, Ziraat Katılım Bankası A.Ş. remains in actual or constructive possession, custody or control of all or any part of the Portfolio Assets, the Change of Control Portfolio Assets, the Tangibility Event Put Right Portfolio Assets or the Periodic Distribution Shortfall Portfolio Assets, as the case may be; and
- (b) if following delivery of the Exercise Notice in accordance with the provisions of the Purchase Undertaking, Ziraat Katılım fails to pay the relevant Exercise Price, Change of Control Exercise Price, Tangibility Event Put Right Exercise Price or Periodic Distribution Shortfall Exercise Price, as the case may be, for any reason whatsoever,

Ziraat Katılım shall (as an independent, severable and separately enforceable obligation) fully indemnify (on demand and on an after Tax basis) the Issuer for the purpose of redemption in full of the outstanding Certificates, the Change of Control Certificates or the Tangibility Event Put Right Certificates, as the case may be, or funding the Remaining Periodic Distribution Shortfall, as the case may be and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, the Change of Control Exercise Price, the Tangibility Event Put Right Exercise Price or the Periodic Distribution Shortfall Exercise Price, as the case may be. Payment of an amount equal to the Exercise Price, the Change of Control Exercise Price, the Tangibility Event Put Right Exercise Price or the Periodic Distribution Shortfall Exercise Price, as the case may be, into the Transaction Account in accordance with this paragraph shall evidence the acceptance of the Exercise Notice by Ziraat Katılım delivered in accordance with the provisions of the Purchase Undertaking and the conclusion of the transfer of all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets, the Change of Control Portfolio Assets, the Tangibility Event Put Right Portfolio Assets or the Periodic Distribution Shortfall Portfolio Assets, as the case may be. Payment of an amount equal to the Exercise Price, the Change of Control Exercise Price, the Tangibility Event Put Right Exercise Price or the Periodic Distribution Shortfall Exercise Price, as the case may be, into the Transaction Account in accordance with this paragraph shall also constitute full discharge of the obligation of Ziraat Katılım to pay the Exercise Price, the Change of Control Exercise Price, the Tangibility Event Put Right Exercise Price or the Periodic Distribution Shortfall Exercise Price, as the case may be, to the Issuer (or for the benefit of the Certificateholders).

Ziraat Katılım will also agree in the Purchase Undertaking that all payments made by it under the Purchase Undertaking must be made in U.S. dollars without any deduction or withholding for or on account of Tax unless required by law and without set-off or counterclaim of any kind. In the event that there is any such deduction or withholding required by law, Ziraat Katılım shall pay all additional amounts as will result in the receipt by the Issuer or the Representative, as the case may be, of such net amounts as would have been received by it if no such deduction or withholding had been made.

Under the Purchase Undertaking, Ziraat Katılım will covenant and undertake with the Issuer and the Representative that Ziraat Katılım shall ensure that the payment obligations of Ziraat Katılım under the Purchase Undertaking are and will be direct, unconditional, unsubordinated and (subject to the provisions described in Condition 5 (*Negative Pledge*)) unsecured obligations of Ziraat Katılım and will at all times rank *pari passu* among themselves and (save for certain obligations required to be preferred by law and subject to the provisions described in Condition 5 *Negative Pledge*)) at least equally with all its other present and future unsubordinated and unsecured obligations from time to time outstanding.

#### **Sale and Substitution Undertaking**

The Sale and Substitution Undertaking will be executed on the Closing Date by the Issuer in favour of Ziraat Katılım and the Representative and will be governed by English law.

Pursuant to the Sale and Substitution Undertaking, provided that a Dissolution Event has not occurred, the Issuer irrevocably will irrevocably grant to Ziraat Katılım each of the following rights:

- (a) provided that a Tax Event has occurred, to require the Issuer to sell, transfer and assign to Ziraat Katılım on the Early Tax Dissolution Date specified in the Exercise Notice all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets at the Exercise Price, as specified in the Exercise Notice;
- (b) if 75 per cent. or more of the aggregate face amount of Certificates then outstanding have been redeemed and/or purchased and cancelled pursuant to Condition 11 (*Capital Distributions*) and/or Condition 12 (*Purchase and Cancellation of Certificates*), to require the Issuer to sell, transfer and assign to Ziraat Katılım on the Clean Up Call Right Dissolution Date all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Portfolio Assets at the Exercise Price specified in the relevant Exercise Notice;
- (c) following delivery of the Redemption Certificates to the Registrar for cancellation pursuant to Condition 12 (*Purchase and Cancellation of Certificates*), to require the Issuer to transfer and assign to Ziraat Katılım on the Redemption and Cancellation Date all of the Issuer's rights, title, interests, benefits and entitlements in, to and under the Redemption and Cancellation Portfolio Assets, subject to certain conditions set out in the Sale and Substitution Undertaking;
- (d) to require the Issuer to transfer and assign to Ziraat Katılım on the Substitution Date all of the Issuer's rights, title, interests, benefits and entitlements in, to and under, the Substituted Portfolio Assets against the assignment and transfer to the Issuer of all of Ziraat Katılım's rights, title, interests, benefits and entitlements in, to and under, the New Portfolio Assets, subject to certain conditions set out in the Sale and Substitution Undertaking,

in each case, on an as is basis but free and clear of any adverse claim and otherwise on the terms and subject to the conditions of the Sale and Substitution Undertaking.

### **Murabaha Agreement**

The Murabaha Agreement will be entered into on the Closing Date between the Issuer (in its capacity as seller), Ziraat Katılım (as "**Buyer**") and the Representative and will be governed by English law.

Pursuant to the Murabaha Agreement, the Issuer (in its capacity as seller) may enter into a Murabaha Contract with the Buyer on the Closing Date using a portion of the issue proceeds (being no more than, together with (to the extent applicable) the Intangible Part of any Tangible Investment Sukuk forming part of the Initial Assets, 45 per cent. of the aggregate face amount of the Certificates).

In accordance with the Murabaha Agreement, on receipt of a duly completed Notice of Request to Purchase from the Buyer, the Issuer (in its capacity as seller may (acting through a purchase agent)) purchase the relevant commodities on the Settlement Date from a commodity supplier on a spot basis at the Commodity Purchase Price.

Upon completion of the purchase of the relevant commodities by the Issuer (in its capacity as seller) and the Issuer (in its capacity as seller) gaining title thereto and (actual or constructive) possession thereof, the Issuer (in its capacity as seller) may deliver to the Buyer a duly completed Offer Notice by no later than 1.00 p.m. (London time) (or such other time as may be agreed in writing by the Buyer and the Issuer (in its capacity as seller)) on the Settlement Date.

Provided that the Buyer has received a duly completed Offer Notice in accordance with the terms of the Murabaha Agreement and it wishes to enter into the Murabaha Contract, the Buyer may accept the terms of and countersign and deliver to the Issuer (in its capacity as seller) such Offer Notice and purchase the relevant commodities acquired by the Issuer (in its capacity as seller) for the relevant Deferred Sale Price, in each case no later than 2.00 p.m. (London time) (or such other time as may be agreed between the Buyer and the Issuer (in its capacity as seller)) on the Settlement Date.

As soon as the Buyer has accepted the Issuer's (in its capacity as seller) offer by countersigning the relevant Offer Notice, the Murabaha Contract shall be created between the Issuer (in its capacity as seller) and the Buyer upon the terms of the Offer Notice and incorporating the terms and conditions set out in the Murabaha Agreement and ownership (including, without limitation, the right of ownership from a *Shari'a* perspective) of and, upon the Buyer obtaining actual or constructive possession of the relevant commodities, all risks in and to the relevant commodities shall immediately pass to and be vested in the Buyer, together with all rights and obligations relating thereto.

The Buyer will agree in the Murabaha Agreement that all payments by it under the Murabaha Agreement, the Murabaha Contract and the documents entered into by each of the Seller and the Buyer in connection with the Murabaha Contract (the "**Murabaha Documents**") must be made in U.S. dollars without any deduction or withholding for or on account of Tax (unless required by law) and without set-off or counterclaim of any kind and, in the event that there is any such deduction or withholding required by law, the Buyer shall pay all additional amounts as will result in the receipt by the Issuer (in its capacity as seller) or the Representative, as the case may be, of such net amounts as would have been received by it if no withholding or deduction had been made.

The Buyer will undertake in the Murabaha Agreement that any payment obligations of the Buyer under the Murabaha Agreement and the other Murabaha Documents are and will be direct, unconditional, unsubordinated and (subject to the provisions described in Condition 5 (*Negative Pledge*)) unsecured obligations of the Buyer and will at all times rank *pari passu* among themselves and (save for certain obligations required to be preferred by law and subject to the provisions described in Condition 5 (*Negative Pledge*)) at least equally with all its other present and future unsubordinated and unsecured obligations from time to time outstanding.

#### **Agency Agreement**

The Agency Agreement will be entered into on the Closing Date between the Issuer, Ziraat Katılım, the Representative, the Principal Paying Agent, the Calculation Agent, the Registrar and the Transfer Agent and will be governed by English law.

Pursuant to the Agency Agreement:

- (a) the Registrar has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to complete, authenticate and deliver the Global Certificates;
- (b) the Principal Paying Agent has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to pay all sums due under such Global Certificates, and to make all calculations and determinations in relation to amounts due under the Global Certificates;
- (c) the Transfer Agent has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificates and issue Definitive Certificates in accordance with each request; and
- (d) the Calculation Agent has agreed to be appointed as agent of the Issuer and in such capacity has agreed, amongst other things, to determine: (i) any Required Amounts; (ii) any Periodic Distribution Amount payable; (iii) any Dissolution Distribution Amount payable, and (iv) the applicable Periodic Distribution Date in respect of each Return Accumulation Period, subject to and in accordance with the Conditions.

On the Closing Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the Representative Agreement; and (ii) deliver, on the Closing Date, the Global Certificate to the Common Depositary or to such clearing system or other depositary or to such clearing system or other depositary for a clearing system as shall have been agreed between the Issuer, Ziraat Katılım and the Principal Paying Agent or otherwise, at such time, on such date, to such person and in such place as may have been agreed between the Issuer, Ziraat Katılım and the Principal Paying Agent.

The Issuer will pay in freely transferable, cleared funds to the Transaction Account opened by the Issuer with the Principal Paying Agent, any payment which becomes due in respect of a Certificate in accordance with the Conditions.

The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and/or to appoint additional or other Agents by giving, *inter alia*, such Agent at least 60 days' prior written notice to that effect, provided that: (a) it will at all times maintain a Principal Paying Agent and a Registrar (which may be the same entity) and a Calculation Agent; and (b) so long as any Certificates are admitted to listing, trading and/or quotation on any listing authority, stock exchange and/or quotation system, there will at all times be a Paying Agent and a Transfer Agent having its specified office in such place (if any) as may be required by the rules of such listing authority, stock exchange and/or quotation system.

### **The Representative Agreement**

The Representative Agreement will be entered into on the Closing Date between the Issuer, Ziraat Katılım and the Representative and will be governed by English law. Pursuant to the Representative Agreement, the Representative will act as trustee for the Certificateholders and undertake certain administrative functions in respect of the Certificates and the Transaction Documents.

Pursuant to the Representative Agreement, upon issue of the Certificates, the Representative shall hold, the benefit of certain covenants given by the Issuer on trust for itself and the Certificateholders. Such covenants include, amongst others the covenants given by the Issuer in clause 6 (*Covenant to Pay Periodic Distributions and to Distribute Proceeds of the Lease Certificate Assets*), clause 7 (*Conditions of Payment*) and clause 15 (*Undertakings of the Issuer*) of the Representative Agreement and the covenant given to the Representative by Ziraat Katılım in clause 17 (*Undertakings of Ziraat Katılım*) and in the Purchase Undertaking.

Pursuant to the Representative Agreement, the Issuer will declare that it will hold the Lease Certificate Assets comprising:

- (a) the net proceeds of the issue of the Certificates, pending the application thereof in accordance with the terms of the Transaction Documents;
- (b) all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the relevant Sukuk Assets and the obligations of the Service Agent to make payments under the Service Agency Agreement;
- (c) all of the Issuer's rights, title, interest and benefit, present and future, in, to and under the Transaction Documents (including, without limitation, the right to receive the Deferred Sale Price under the Murabaha Agreement and other than: (i) in relation to any representation given by Ziraat Katılım to the Issuer or the Representative pursuant to any of the Transaction Documents; and (ii) the indemnities given by Ziraat Katılım to the Issuer under the Representative Agreement);
- (d) all monies standing to the credit of the Transaction Account from time to time; and
- (e) all proceeds of the foregoing

in its own name and on its own behalf but for the benefit and account of the Certificateholders and the income accruing to the Issuer from the Lease Certificate Assets, together with any capital arising from disposal of such Lease Certificate Assets, together with any capital arising from disposal of such Lease Certificate Assets, shall be for the benefit of, and shall be accounted by the Issuer to, the Certificateholders.

Pursuant to the Representative Agreement, the Representative (i) shall have the powers and authority conferred upon it thereunder, (ii) shall enter into the Transaction Documents to which it is a party in its capacity as trustee of the Certificateholders pursuant to the Representative Agreement and (iii) shall exercise its rights and perform its obligations under the Representative Agreement and the other Transaction Documents as trustee of the Certificateholders subject to the terms of the Representative Agreement.

The Representative Agreement will specify, *inter alia* no payment of any amount whatsoever shall be made by the Issuer (acting in any capacity) or any agents on its behalf except to the extent funds are available therefor from the relevant Lease Certificate Assets and no recourse shall be had for the payment of any amount under the Representative Agreement or under any Transaction Document, whether for the payment of any fee, indemnity or other amount under the Representative Agreement or any other obligation or claim arising out of or based upon the Representative Agreement or other Transaction Documents, against the Issuer (and/or its directors or officers), the Representative or any of their respective agents to the extent the Lease Certificate Assets have been exhausted following which all obligations of the Issuer, Ziraat Katılım

(to the extent that it fulfils all of its obligations under the Transaction Documents to which it is a party), the Representative and the Agents and their respective agents or affiliates shall be extinguished.

In the Representative Agreement, the Representative may, upon the occurrence of a Dissolution Event (subject to it being indemnified and/or secured and/or prefunded to its satisfaction), exercise all of the rights of the Issuer under the Transaction Documents and the Conditions (provided that no obligations, duties, Liabilities or covenants of the Issuer pursuant to the Representative Agreement or any other Transaction Document shall be imposed on the Representative by virtue of this delegation). The Representative may also refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law, regulation or directive of that jurisdiction or, to the extent applicable, of England and may, without liability, do anything which is in its reasonable opinion necessary to comply with such law, directive or regulation. Furthermore, the Representative may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or in England or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or in England or if it is determined by any court or other competent authority in that jurisdiction or in England that it does not have such power.

Monies received in the Transaction Account will, *inter alia*, comprise payments corresponding to Periodic Distribution Amounts and/or the Dissolution Distribution Amount immediately prior to each Periodic Distribution Date and/or any Dissolution Date, as the case may be. The Representative Agreement provides that all monies standing to the credit of the Transaction Account from time to time will be applied in the manner set out in Condition 6.3 (*Application of Proceeds from the Lease Certificate Assets*).

In the Representative Agreement, Ziraat Katılım will undertake that if:

- (a) at the time of delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, Ziraat Katılım Bankası A.Ş. remains in actual or constructive possession, custody or control of all or any part of the Portfolio Assets, the Change of Control Portfolio Assets or the Tangibility Event Put Right Portfolio Assets, as the case may be; and
- (b) following delivery of an Exercise Notice in accordance with the provisions of the Purchase Undertaking, the Exercise Price, Change of Control Exercise Price or Tangibility Event Put Right Exercise Price, as the case may be, is not paid in accordance with the provisions of the Purchase Undertaking for any reason whatsoever,

it shall (as an independent, severable and separately enforceable obligation) fully indemnify (on demand and on an after Tax basis) the Issuer for the purpose of redemption in full of the Certificates then outstanding, the Change of Control Certificates or the Tangibility Event Put Right Certificates, as the case may be, or funding the Remaining Periodic Distribution Shortfall, as the case may be, and, accordingly, the amount payable under any such indemnity claim will equal the Exercise Price, Change of Control Exercise Price, Tangibility Event Put Right Exercise Price or the Periodic Distribution Shortfall Exercise Price, as the case may be.

### ***Shari'a Compliance***

Each Transaction Document to which it is a party will provide that each of Ziraat Katılım Varlık Kiralama A.Ş. and Ziraat Katılım Bankası A.Ş. agrees that it has accepted the *Shari'a*-compliant nature of the Certificates and the Transaction Documents to which it is a party and, to the extent permitted by law, further agrees that:

- (a) it shall not claim that any of its obligations under the Certificates and/or the Transaction Documents to which it is a party (or any provision thereof) is *ultra vires* or not compliant with the principles of *Shari'a*;
- (b) it shall not take any steps or bring any proceedings in any forum to challenge the *Shari'a* compliance of the Certificates and/or the Transaction Documents to which it is a party; and
- (c) none of its obligations under the Certificates and the Transaction Documents to which it is a party shall in any way be diminished, abrogated, impaired, invalidated or otherwise adversely affected by any finding, declaration, pronouncement, order or judgment of any court, tribunal or other body

that the Certificates or the Transaction Documents to which it is a party are not compliant with the principles of *Shari'a*.

## TAXATION

*The following is a general description of certain Turkish and European Union tax considerations relating to the Certificates. It does not purport to be a complete analysis of all tax considerations relating to the Certificates, whether in those countries or elsewhere. Prospective purchasers of Certificates should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Certificates and receiving payments of profit, principal and/or other amounts under the Certificates and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

### **Türkiye**

*The following discussion is a summary of the anticipated tax treatment in Türkiye in relation to the payments on the Certificates. This summary is based upon current law, and is for general information only. The discussion does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Certificates and the receipt of any payments in respect of any Periodic Distribution Amounts, the Dissolution Distribution Amount or any other amounts payable in respect of such Certificates under the laws of the jurisdictions in which they may be liable to taxation. References to “resident” herein refer to tax residents of Türkiye and references to “non-resident” herein refer to persons who are not tax residents of Türkiye.*

### **Overview**

For Turkish tax purposes, a legal entity is a resident of Türkiye if its corporate domicile is in Türkiye or its effective place of management is in Türkiye. A resident legal entity is subject to Turkish taxes on its worldwide income (unlimited tax liability), whereas a non-resident legal entity is only liable to Turkish taxes for trading income made through a permanent establishment or a permanent representative, or only for income otherwise sourced in Türkiye (limited tax liability).

A natural person is a resident of Türkiye if such individual has established domicile in Türkiye, or stays in Türkiye more than six months in a calendar year. A resident individual is liable for Turkish taxes on worldwide income, while a non-resident individual is only liable for Turkish taxes on trading income made through a permanent establishment or permanent representative, or only for income otherwise sourced in Türkiye.

### **Taxation of Interest and Capital Gains**

For the purposes of income taxation in Türkiye, resident Certificateholders should treat Periodic Distribution Amounts paid in accordance with the terms and conditions of the Certificates as security income, which is typically taxed similar to interest on the bonds (i.e., depending on the maturity), and any gain realised on the disposal or redemption of Certificates will be locally taxed as capital gains.

Income from capital investment is sourced in Türkiye when the principal is invested in Türkiye. Capital gain derived from trading income is considered sourced in Türkiye when the activity or transaction generating such income is performed or accounted for in Türkiye. The term “accounted for” means that a payment is made in Türkiye, or if the payment is made abroad, it is recorded in the books in Türkiye or apportioned from the profits of the payer or the person on whose behalf the payment is made in Türkiye.

In general, capital gains are not taxed through withholding tax, and therefore, any capital gains sourced in Türkiye with respect to the Certificates may be subject to declaration; however, pursuant to Provisional Article 67 (which is effective until 31 December 2025) of the Turkish Income Tax Law, as amended by laws numbered 6111, 6655 and 7256, special or separate tax returns will not be submitted for capital gains from the certificates of a resident asset leasing company issued abroad when the income is derived by a non-resident. Therefore, no tax is levied on non-residents in respect of capital gains from the Certificates and no declaration is required.

### **Stamp tax**

To the extent any of the Transaction Documents are subject to stamp tax, stamp tax will be levied as a percentage of what is considered to be the monetary basis of each relevant Transaction Document at a general rate of 0.948 per cent. of such monetary value. Pursuant to the Stamp Tax Law General Communiqué (Serial No. 67), TRY10,732,371.80 is the highest amount payable for the year 2023 as stamp tax on the execution of each taxable document.

Parties to a taxable document are jointly and severally liable for the payment of stamp tax. Under the Transaction Documents, Ziraat Katılım will undertake to pay any stamp tax payable in respect of the Transaction Documents and to indemnify the relevant parties against any liabilities with respect to such stamp tax. Certificateholders (who are not resident or incorporated or having a permanent establishment in Türkiye) will not incur, or become liable for, stamp, registration, transfer or other similar taxes under the laws of Türkiye by reason only of the acquisition, ownership or disposal of the Certificates.

### ***Withholding Tax***

Any withholding tax levied on income derived by a non-resident is the final tax for such non-resident and no further declaration is required. Any other income of a non-resident sourced in Türkiye that has not been subject to withholding tax will be subject to taxation through declaration where treaty relief and exemptions are reserved.

Interest and other income (that is deemed equivalent to interest for the purposes of Turkish taxation) paid on debt instruments and lease certificates, (such as the Periodic Distribution Amounts on the Certificates) issued abroad by a resident company or asset leasing company is subject to withholding tax as regulated through the Council of Ministers' Decrees No. 2009/14592, 2009/14593 and 2009/14594, each dated 12 January 2009, as amended by Decree No. 2010/1182 dated 20 December 2010, Decree No. 2011/1854 dated 26 April 2011 and the Presidential Decree No. 842 dated 20 March 2019 (together, the "**Tax Decrees**").

The withholding tax rates are specified in the Tax Decrees, and they are set according to the original maturity of certificates issued abroad by resident corporations as follows:

- (a) 7% withholding tax for lease certificates with an original maturity of less than one year,
- (b) 3% withholding tax for lease certificates with an original maturity of at least one year and less than three years, and
- (c) 0% withholding tax for lease certificates with an original maturity of three years or more.

Such withholding tax is the final tax for a non-resident and no further declaration is required.

### ***Value Added Tax***

Pursuant to Article 17/4(g) of the Value Added Tax Law No. 3065, the issuance of the Certificates is exempt from Turkish value added tax.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transaction tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary market transactions) in certain circumstances. The issuance and subscription of Certificates is, however, expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "**established**" in a participating Member State in a broad range of circumstances, including: (a) by transacting with a person established in a

participating Member State; or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

*Words and expressions defined in the Conditions shall have the same meanings in this section, "Subscription and Sale".*

The Joint Lead Managers have entered into a subscription agreement with the Issuer and Ziraat Katılım dated 3 November 2023 with respect to the Certificates (the "**Subscription Agreement**"). The Issuer has agreed to issue and sell to the Joint Lead Managers U.S.\$500,000,000 in aggregate face amount of the Certificates and, subject to certain conditions, the Joint Lead Managers have jointly and severally undertaken to subscribe for the Certificates. In accordance with the terms of the Subscription Agreement, each of the Issuer and Ziraat Katılım will reimburse the Joint Lead Managers in respect of certain of their expenses incurred in connection with the issue of the Certificates and indemnify the Joint Lead Managers against certain liabilities incurred in connection with the issue of the Certificates. The Subscription Agreement entitles the Joint Lead Managers to terminate the issue of the Certificates in certain circumstances prior to payment of subscription proceeds to the Issuer.

### General

Neither the Issue, Ziraat Katılım nor any Joint Lead Manager makes any representation that any action has been or will be taken in any jurisdiction that would permit a public offering of any Certificates, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required.

Each Joint Lead Manager has represented and agreed that it has complied and will comply, to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers Certificates or possesses, distributes or publishes this Prospectus or any related offering material, in all cases at its own expense.

The Subscription Agreement provides that the Joint Lead Managers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out below) to the extent that such restrictions shall, as a result of change(s) or change(s) in official interpretation, after the date hereof, of applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Joint Lead Managers described in this paragraph.

### United States of America

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Joint Lead Manager has agreed that: (a) it has offered and sold, and will offer or sell, the Certificates constituting part of its allotment: (i) as part of their distribution at any time; or (ii) otherwise until 40 days after the completion of the distribution of the Certificates, only in accordance with Rule 903 of Regulation S; and; and (b) neither it nor any of its affiliates (nor any person acting on behalf of such Joint Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts (as defined in Regulation S) with respect to the Certificates.

Each Joint Lead Manager has also agreed that, at or prior to confirmation of sale of Certificates, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Certificates from it during the 40-day distribution compliance period a confirmation or notice to substantially the following effect:

"The securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons: (a) as part of their distribution at any time; or (b) otherwise until 40 days after the completion of the distribution of the securities, except, in either case, in accordance with Regulation S under the Securities Act ("**Regulation S**"). Terms used above have the meanings given to them by Regulation S."

Each Joint Lead Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificate and it and they have complied and will comply with the offering restrictions requirement of Regulation S.

#### **Prohibition of Sales to EEA Retail Investors**

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client as defined in point (11) of Article 4(1) of the EU MiFID II; or
- (b) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II.

#### **United Kingdom**

##### *Prohibition of sales to UK Retail Investors*

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Certificates which are the subject of the offering contemplated by this Prospectus in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

- (a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the EUWA; or
- (b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR.

##### *Other regulatory restrictions*

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or Ziraat Katılım; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

#### **The Republic of Türkiye**

Each Joint Lead Manager has represented and agreed that the Certificates (or beneficial interests therein) shall not be sold in Türkiye in any circumstances which would constitute a sale or a public offering within the meaning of the Capital Markets Law without the approval of the Capital Markets Board of Türkiye ("**CMB**"). No transaction that may be deemed as a sale of the Certificates (or beneficial interests therein) in Türkiye by way of private placement or a public offering may be engaged in without the approval of the CMB. Additionally, no prospectus and other offering material related to the offering may be utilised in connection with any general offering to the public within Türkiye for the purpose of the offer or sale of the Certificates without the prior approval of the CMB. However, pursuant to Article 15(d) (ii) of the Decree No. 32 on the Protection of the Value of the Turkish Currency published in the Official Gazette dated 11 August 1989 and numbered 20249 (as amended from time to time, "**Decree No. 32**"), residents of Türkiye

may purchase or sell the Certificates denominated in a currency other than Turkish Lira (or beneficial interests therein) in offshore transactions on an unsolicited (reverse enquiry) basis, **provided that** such sale and purchase is made in the financial markets outside Türkiye through banks and/or licensed brokerage institutions authorised pursuant to the BRSA and/or CMB regulations and the consideration of the purchase of such Certificates has been or will be transferred through licensed banks authorised under the BRSA regulations.

#### **United Arab Emirates (excluding the Dubai International Financial Centre and the Abu Dhabi Global Market)**

Each Joint Lead Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

#### **Dubai International Financial Centre**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an "Exempt Offer" in accordance with the Markets Rules (MKT) Module of the Dubai Financial Services Authority ("**DFSA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

#### **Abu Dhabi Global Market**

Each Joint Lead Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Abu Dhabi Global Market unless such offer is:

- (a) an "Exempt Offer" in accordance with Rule 4.3 of the Markets Rules of the Financial Services Regulatory Authority (the "**FSRA**") rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in the Conduct of Business Module of the FSRA rulebook.

#### **Hong Kong**

Each Joint Lead Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

#### **Japan**

The Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the "**FIEA**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Certificates in Japan or to, or for the benefit of, any resident of Japan (as defined

under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act of 1949 (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Kingdom of Bahrain**

Each Joint Lead Manager has represented and agreed that it has not offered or sold, and will not offer or sell, any Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are "accredited investors".

For this purpose, an "accredited investor" means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more (excluding that person's principal place of residence);
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **Sultanate of Oman**

Each Joint Lead Manager has represented and agreed that:

- (a) this Prospectus has not been filed with or registered as a prospectus by it with the Capital Market Authority of Oman pursuant to Article 3 of the Capital Market Authority Law (Sultani Decree 80/98, as amended) ("**Article 3**"), will not be offered or sold by it as an offer of securities in the Sultanate of Oman as contemplated by the Commercial Companies Law of Oman (Sultani Decree 18/19, as amended) or Article 3, nor does it constitute a sukuk offering pursuant to the Sukuk Regulation issued by the Capital Market Authority of Oman (CMA Decision 3/2016); and
- (b) the Certificates have not been and will not be offered, sold or delivered by it and no invitation to subscribe for or to purchase the Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in the Sultanate of Oman to any person in the Sultanate of Oman other than by an entity duly licensed by the Capital Market Authority of Oman to market non-Omani securities in the Sultanate of Oman and then only in accordance with all applicable laws and regulations, including Article 139 of the Executive Regulations of the Capital Markets Law (Decision No. 1/2009, as amended).

### **Kingdom of Saudi Arabia**

No action has been or will be taken in the Kingdom of Saudi Arabia that would permit a public offering of the Certificates. Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "**Saudi Investor**") who acquires any Certificates pursuant to an offering should note that the offer of Certificates is a private placement under Article 8 of the KSA Regulations, made through a capital market institution licensed to carry out arranging activities by the Capital Market Authority and following a notification to the Capital Market Authority under Article 10 of the KSA Regulations.

The Certificates may thus not be advertised, offered or sold to any person in the Kingdom of Saudi Arabia other than to "institutional and qualified clients" under Article 8(a)(1) of the KSA Regulations or by way of a limited offer under Article 9 of the KSA Regulations. Each Joint Lead Manager has represented and agreed that any offer of Certificates made by it to a Saudi Investor will be made in compliance with Article 10 and either Article 8(a)(1) or Article 9 of the KSA Regulations.

Each offer of Certificates shall not therefore constitute a "public offer", an "exempt offer" or a "parallel market offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 14 of the KSA Regulations.

Although HSBC Bank plc is appointed as Joint Lead Manager pursuant to the Subscription Agreement, HSBC Saudi Arabia, which is a Capital Market Institution licensed by the Capital Market Authority, will be the relevant legal entity for all regulated activities in the Kingdom of Saudi Arabia relating to the issuance of the Certificates, including offering and related applications to the Capital Market Authority.

### **Malaysia**

Each Joint Lead Manager has represented, warranted and agreed that:

- (a) this Prospectus has not been registered as a prospectus with the Securities Commission of Malaysia under the Capital Markets and Services Act 2007 of Malaysia ("CMSA"); and
- (b) accordingly, the Certificates have not been and will not be offered or sold by it, and no invitation to subscribe for or purchase the Certificates has been or will be made by it, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part I of Schedule 6 or Section 229(1)(b), Part I of Schedule 7 or Section 230(1)(b) and Schedule 8 or Section 257(3) of the CMSA read together with Schedule 9 or Section 257(3) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, the Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Joint Lead Managers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

### **State of Qatar (including the Qatar Financial Centre)**

Each Joint Lead Manager has represented and agreed that it has not offered, delivered or sold, and will not offer, sell or deliver at any time, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre) except: (a) in compliance with all applicable laws and regulations of the State of Qatar, including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar (including the Qatar Financial Centre).

This Prospectus: (i) has not been, and will not be, registered with or approved by the Qatar Financial Markets Authority, the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Centre Regulatory Authority; (ii) is intended for the original recipient only and must not be provided to any other person; and (iii) is not for general circulation in the State of Qatar (including the Qatar Financial Centre) and may not be reproduced or used for any other purpose.

### **Singapore**

Each Joint Lead Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

### **State of Kuwait**

Each Joint Lead Manager has represented and agreed that the Certificates to be issued have not been and will not be offered, sold, promoted or advertised by it in the State of Kuwait except through a licensed person duly authorised to undertake such activity pursuant to Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and Regulating of Securities Activities and its executive

bylaws (each as amended) (the "**CML Rules**") and unless all necessary approvals from the Capital Markets Authority of the State of Kuwait pursuant to the CML Rules, together with the various resolutions, regulations, directives and instructions issued pursuant thereto or in connection therewith (regardless of nomenclature or type), or any other applicable law or regulation in the State of Kuwait, have been given in respect of the offering, sale, promotion and/or advertising of the Certificates.

## GENERAL INFORMATION

### Authorisation

The issue of the Certificates and the entry by the Issuer into the Transaction Documents to which it is a party has been duly authorised by a resolution of the board of directors of the Issuer dated 17 August 2023. The entry by Ziraat Katılım into the Transaction Documents to which it is a party has been duly authorised by a resolution of the board of directors of Ziraat Katılım dated 8 August 2023.

The Issuer and Ziraat Katılım have each obtained all necessary consents, approvals and authorisations in connection with the issue of the Certificates and the execution and performance of the Transaction Documents to which they are a party.

### Listing of Certificates

Application has been made to Euronext Dublin for the Certificates to be admitted to the Official List and to trading on the regulated market of Euronext Dublin with effect from the Closing Date.

The regulated market of the Euronext Dublin is a regulated market for the purposes of EU MiFID II.

The total expenses related to the admission of the Certificates to trading are estimated to be €10,540.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Certificates and is not itself seeking admission of the Certificates to the Official List or to trading on the regulated market of Euronext Dublin for the purposes of the EU Prospectus Regulation.

### Legal and Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer or Ziraat Katılım is aware) which may have, or have had during the twelve months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer, Ziraat Katılım, or Ziraat Katılım and its subsidiaries taken as a whole.

### Significant/Material Change

There has been no significant change in the financial performance or financial position of the Issuer and no material adverse change in the prospects of the Issuer, in each case, since 31 December 2022.

Since 30 June 2023, there has been no significant change in the financial performance or financial position of Ziraat Katılım and its subsidiaries taken as a whole and, since 31 December 2022, there has been no material adverse change in the prospects of Ziraat Katılım and its subsidiaries taken as a whole.

### Independent Auditor

The auditors of the Issuer and Ziraat Katılım as at and for the years ended 31 December 2021 and 2022 were PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. ("PwC Türkiye").

The 2021 Audited Annual Financial Statements were audited, without qualification, and the Interim BRSA Accounts were reviewed, in each case by PwC Türkiye. PwC Türkiye's independent auditor's report in the 2022 Audited Annual Financial Statements was qualified with respect to free provisions (which is not within the requirements of the BRSA Principles) that were allocated by Ziraat Katılım. These additional provisions were taken in accordance with the conservatism principle applied by Ziraat Katılım in considering the circumstances that might arise from any changes in the economy or market conditions (see PwC Türkiye's independent auditor's report included within the 2022 Audited Annual Financial Statements). Although these provisions did not impact Ziraat Katılım's level of tax, if Ziraat Katılım had not established these provisions, then its net profit / (loss) and /or capital adequacy ratios may have been higher in 2022.

PwC is a member of the Chambers of Certified Public Accountants of Türkiye and is authorised by the BRSA to conduct independent audits of banks in Türkiye.

## **Documents Available**

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available for inspection at <https://www.ziraatkatilim.com.tr/en/investor-relations/sukuk-issuance> and/or during normal business hours on any day (excluding Saturdays, Sundays and public holidays) the registered office of the Issuer and the specified London office of the Principal Paying Agent:

- (a) the Transaction Documents;
- (b) the Articles of Association of the Issuer;
- (c) the Articles of Association of Ziraat Katılım;
- (d) the Financial Statements and the Issuer Financial Statements, together with any audit or review reports prepared in connection therewith; and
- (e) this Prospectus.

This Prospectus will also be published on the website of Euronext Dublin <https://live.euronext.com/>.

## **Ziraat Katılım's Website**

Ziraat Katılım's website is <https://www.ziraatkatilim.com.tr/en>. Unless specifically incorporated by reference into this Prospectus, the information contained on this website is not incorporated by reference into, or otherwise included in, this Prospectus.

## **Validity of the Prospectus and Prospectus Supplements**

This Prospectus is valid for twelve months. For the avoidance of doubt, the Issuer and Ziraat Katılım shall have no obligation to supplement this Prospectus after the end of the offer or admission to trading of the Certificates.

## **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

The ISIN for the Certificates is XS2699906512 and the Common Code for the Certificates is 269990651. See as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN for the Financial Instrument Short Name (FISN) and/or Classification of Financial Instruments (CFI) code applicable to the Certificates.

## **Legal Entity Identifiers of the Issuer and Ziraat Katılım**

The Issuer's Legal Entity Identifier (LEI) code is 789000NE04RSMGOX9737. Ziraat Katılım's Legal Entity Identifier (LEI) code is 789000BUS1GG1SPR6W16.

## **Joint Lead Managers Transacting with Ziraat Katılım**

Certain of the Joint Lead Managers and their affiliates have engaged, and may in the future engage, in various financial advisory, investment banking and/or commercial banking transactions with, and may perform services for Ziraat Katılım in the ordinary course of business for which they have received, and for which they may in the future receive, fees and expenses. In particular, certain of the Joint Lead Managers are lenders/financiers to Ziraat Katılım and proceeds from the issue of the Certificates may be used to pay such outstanding facilities. Further, the Joint Lead Managers may purchase and sell Certificates in the open market.

In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related

derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Ziraat Katılım.

Certain of the Joint Lead Managers or their affiliates that have a lending/financing relationship with Ziraat Katılım routinely hedge their credit exposure to Ziraat Katılım consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into hedging transactions which may consist of taking certain positions in securities, including potentially the Certificates. Any such exposures could adversely affect future trading prices of the Certificates. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or other positions in such securities and instruments.

## SUMMARY OF DIFFERENCES BETWEEN IFRS AND BRSA PRINCIPLES

The Financial Statements are prepared in accordance with the BRSA Principles. The BRSA Principles, statements, communiqués and guidance differ from IFRS in some instances that might be material to the financial information herein. Such differences primarily relate to the format of presentation of financial statements, disclosure requirements (e.g., IFRS 7) and accounting policies. BRSA format and disclosure requirements are prescribed by relevant regulations and do not always conform to IFRS or IAS 34 standards. The following paragraphs contain a narrative description of differences between IFRS and the BRSA Principles as adopted by the Issuer in preparing its annual financial statements.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing life and non-life insurance services, which are subject to policies/requirements of the Turkish Treasury, and factoring and leasing services, which are subject to specific BRSA policies/requirements.

### *Interest-Free Finance Accounting*

As of 30 June 2023, all loans of the Group, including its profit-loss partnership (*musharakah*) investments, are followed in the "Measured by Amortized Cost" account. The profit and loss partnership (*musharakah*) and labor capital partnership investments are followed by Ziraat Katilim in the loans account according to the BRSA Uniform Chart of Accounts, with the BRSA's letter numbered E-43890421-010.07.01-1294, and those that will be valued for the first time as of 31 December 2020 or from 1 January 2021 on the basis of the new implementation of "Interest-Free Finance Accounting Standard 3: Mudaraba Financing" or "Interest-Free Finance Accounting Standard 4: Musharakah Financing" for partnership financing funds in the form of "labor-capital partnership" (*mudaraba*) or "profit-loss partnership" (*musharakah*) are accounted in accordance with the provision.

### *Hyperinflationary Accounting*

Pursuant to TAS 29 and IAS 29, the financial statements of entities whose functional currency is that of a hyperinflationary economy must be adjusted for the effects of changes in a general price index. Neither TAS 29 nor IAS 29 establishes an absolute rate when hyperinflation is deemed to arise, but rather each provides a series of non-exclusive guidelines as to when restatement of financial statements becomes necessary. These guidelines include, among other considerations, quantitative criteria based upon if the three-year cumulative inflation rate approaches or exceeds 100%. In March 2022, the International Practices Task Force of the Centre for Audit Quality, which monitors countries experiencing high inflation, categorised Türkiye as a country with a three-year cumulative inflation rate greater than 100% as of 28 February 2022. Accordingly, Turkish companies reporting under IFRS should apply IAS 29 to their financial statements for periods ending on and after 30 June 2022.

With respect to TFRS, on 20 January 2022, the POA stated that businesses applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29. As of the date of this Prospectus, there has been no further announcement by the POA regarding this issue and, as a result, inflation adjustments for such periods have not been applied on the BRSA Financial Statements. As a result, the BRSA Financial Statements that do not apply hyperinflationary accounting might differ materially from those applying hyperinflationary accounting in accordance with IAS 29.

### *Presentation of Financial Statements*

There are differences in presentation of financial statements other than measurement differences described above. These differences can be briefly explained by mandatory financial statement line items in accordance with IAS 1, disclosure requirements of IFRS 7 or, where applicable, the disclosure requirements of other standards. BRSA Financial Statements (including the related notes) are presented under a special format determined by the BRSA. Similarly, balance sheet, statement of comprehensive income, statement of changes in equity and statement of cash flows are presented using this specified format. The BRSA also requires a statement for off balance sheet items. These presentation differences might vary based upon the sector that the related consolidated subsidiary operates in, especially those providing life and non-life insurance services, which are subject to the Turkish Treasury policies/requirements, and factoring and leasing services, which are subject to specific BRSA policies/requirements.

### *Basis for Consolidation*

Consolidation principles under the BRSA Principles and IFRS are based upon the concept of the power to control in determining whether a parent/subsidiary relationship exists and that consolidation is appropriate. Control is typically exhibited where an entity has the majority of the voting rights.

Only financial sector subsidiaries are consolidated under the BRSA Principles, whereas other associates are accounted for using the equity method as defined in TAS 28 ("**Investments in Associates and Joint Ventures**"). The BRSA Principles provides an exemption for consolidation based upon certain materiality criteria, whereas this is not applicable in the case of IFRS. Under IFRS, all subsidiaries are consolidated.

### *Related Party Disclosures*

Related party transactions and balances are disclosed in IFRS based on the definition provided in IAS 24, whereas in the BRSA such disclosures are based on "risk group" as defined in the Banking Law.

Similar differences with IFRS also exist in the accounting policies and disclosure requirements applied to consolidated subsidiaries, especially those providing factoring and leasing services which are subject to specific BRSA policies/requirements.

## SUMMARY OF DIFFERENCES BETWEEN IFRS AND TFRS PRINCIPLES

The Issuer Audited Financial Statements are prepared in accordance with TFRS, and interpretations as adopted in line with international standards by the POA in line with the "Communiqué on the Principles of Financial Reporting in Capital Markets" numbered II-14.1, announced by the CMB on 13 June 2013 and published in the Official Gazette numbered 28676. TFRS is identical to IFRS promulgated by the IASB and the interpretations issued by the International Financial Reporting Interpretations Committee, except as follows:

- the format for presentation of financial statements is regulated by the POA and there are certain reclassification differences between finance income/expense and other income/expense;
- in accordance with the provisions of the Sukuk Communiqué, the assets, rights and liabilities subject to the issuance of each issue of lease certificates, as well as the income to be obtained from them and the expenses to be incurred, are included in the relevant lease certificate, are tracked separately in the accounting records, and the relevant assets and liabilities, revenues to be obtained and expenses to be incurred are shown as gross in the account items of trade receivables and borrowings in the financial position statement, and revenue and cost of sales in the profit or loss and other comprehensive income statement; and
- TFRS and IFRS apply different accounting frameworks for the application of inflation accounting. See "*Summary of Differences Between IFRS and BRSA Principles - Hyperinflationary Accounting*" above. The application of IFRS inflation accounting may have a material impact on the financial statements.

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**ZİRAAT KATILIM BANKASI  
ANONİM ŞİRKETİ**

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
STATEMENTS AND RELATED DISCLOSURES  
AT 30 JUNE 2023 WITH  
AUDITOR'S REVIEW REPORT**

***(CONVENIENCE TRANSLATION OF CONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND  
FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE I.B. OF  
SECTION THREE)***



## AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi;

### *Introduction*

We have reviewed the consolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Group management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

### *Scope of Review*

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

### *Basis for the Qualified Conclusion*

As mentioned in Section Five Part II. 8.c.1 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 30 June 2023 include a free provision amounting to TL 404.000 thousand which consist of TL 1.004.000 thousand provided in prior periods and TL 600.000 thousand reversed in the current period by the Group management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.



### *Qualified Conclusion*

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the consolidated financial position of Ziraat Katılım Bankası Anonim Şirketi and its consolidated subsidiaries at 30 June 2023 and the results of its consolidated operations 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 financial information provided in the accompanying interim activity report in Section Seven, is not consistent with the reviewed consolidated financial statements and disclosures in all material respects.

### *Additional Paragraph for Convenience Translation:*

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 30 June 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

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

Zeynep Uras, SMMM  
Partner

Istanbul, 8 August 2023



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED  
FINANCIAL STATEMENTS AND AUDITED REPORT ORIGINALLY ISSUED IN TURKISH,  
SEE THE NOTE I.B. OF SECTION THREE**

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş.  
AS OF 30 JUNE 2023**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih / İSTANBUL  
Phone: (0212) 404 10 00  
Facsimile: (0212) 404 10 81  
Website: www.ziraatkatilim.com.tr  
E-mail: bilgi@ziraatkatilim.com.tr

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND DISCLOSURES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

	Subsidiaries	Investments in Associates	Joint Ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	Katılım Finans Kefalet A.Ş.	-
2	ZKB Varlık Kiralama A.Ş.	-	-

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

Alpaslan ÇAKAR  
Chairman of the Board

Fikretin AKSU  
Vice Chairman of the BOD,  
Member of the Audit  
Committee

Metin ÖZDEMİR  
Member of the Board,  
General Manager

Mahmut Esfa EMEK  
Member of the Board,  
Member of the Audit Committee

Osman KARAKÜTÜK  
Vice President of Treasury  
Management and  
International Banking

Gürkan ÇAKIR  
Head of Financial  
Management Department

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

Name-Surname/Position : Erdem DENİZHAN / Financial Reporting Manager  
Telephone Number : 0 216 559 22 56  
Facsimile : 0 212 404 10 81

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# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### SECTION ONE GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bankası A.Ş. ("Group") is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TRY 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TRY 72.000 from TRY 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TRY 500.000 and by increasing the amount of internal resources by TRY 3.000 to TRY 1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of the Bank has been raised from TRY 1.250.000 to TRY 1.750.000 by increasing the amount of cash by TRY 500.000. At the Bank's Ordinary General Assembly for 2021 held on March 25, 2022, its paid-in capital was increased by TRY 900.000 in cash to TRY 2.650.000. At the Extraordinary General Assembly of the Parent Bank for the year 2023 held on March 31, 2023, the paid-in capital was increased by TRY 4.700.000 in cash to TRY 7.350.000.

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

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

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

All of the shares of the Group, T.C. Ziraat Bankası A.Ş. has been transferred from Republic of Türkiye Prime Ministry Undersecretariat of Treasury ("Treasury") to the Türkiye 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 OF 30 JUNE 2023

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

#### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

As of 30 June 2023 and 31 December 2022, main shareholders and capital amounts as follows:

Name of Shareholders	30 June 2023		31 December 2022	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. <sup>(*)</sup>	7.350.000	99,99999996	2.650.000	99,99999984
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. <sup>(**)</sup>	-	0,00000001	-	0,00000004
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş. <sup>(**)</sup>	-	0,00000001	-	0,00000004
Ziraat Teknoloji A.Ş.	-	0,00000001	-	0,00000004
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,00000001	-	0,00000004
<b>Total</b>	<b>7.350.000</b>	<b>100,00</b>	<b>2.650.000</b>	<b>100,00</b>

(\*) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Türkiye Prime Ministry Undersecretariat of Treasury (“Treasury”) to the Türkiye Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

(\*\*) On 26 December 2022, Ziraat Katılım Bankası A.Ş. shares held by Türkiye Sigorta A.Ş. were transferred to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş., Ziraat Katılım Bankası A.Ş., which is owned by Türkiye Hayat ve Emeklilik A.Ş. its shares were transferred to Ziraat İşletme Yönetim ve Gayrimenkul Geliştirme A.Ş.

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

Name	Title
<b>Board of Directors</b>	
Alpaslan ÇAKAR	Chairman
Fikrettin AKSU	Vice Chairman of the BOD, Member of the Audit Committee , Member of Corporate Management Committee, Associate Member of Credit Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, President of Credit Committee
Mahmut Esfa EMEK	Member of the BOD, Member of Audit Committee, Member of Pricing Committee, Associate Member of Credit Committee
Ahmet BUÇUKOĞLU	Member of the BOD, Member of Credit Committee, Member of Pricing Committee
Mehmet BAŞIBUYUK	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKUTUK	Treasury Management and International Banking
Onder KIRMAN	Loan Allocation and Management
Ertuğrul İSPAHA	Corporate Banking
Seher Elif EKİCİ	Credit Policies and Risk Liquidation

Chairman and members of the Board of Directors, Audit Committee members and General Managers and Deputies have no Bank’s share capital.

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

Name/Trade Name	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş.	7.350.000	100,00	7.350.000	-
<b>Total</b>	<b>7.350.000</b>	<b>100,00</b>	<b>7.350.000</b>	<b>-</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

The Group's field of activity is specified in its articles of association, without prejudice to the provisions of the Banking Law and other legislation. The Bank collects funds within the framework of interest-free banking rules, and also engages in fund disbursement activities through individual and corporate finance, financial leasing, profit/loss and labor/capital partnership investments, document financing in return for goods, and joint investments.

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

The Bank can freely determine the profit participation rates arising from the operation of participation accounts or the estimated profit rate for investment proxies. The rate of participation in the loss participation accounts can be applied as one hundred percent.

As of 30 June 2023, the Parent Bank operates with 173 branches in Türkiye and a total of 174 branches abroad (31 December 2022: 155 domestic, 1 foreign), including the Sudan branch that started its operations on 27 August 2020. As of 30 June 2023, the number of the Bank's personnel is 2.368 (31 December 2022: 1.904).

#### 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

Among the consolidation transactions made in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the Subsidiaries of the Parent Bank, Ziraat Katılım Varlık Kiralama Şirketi A.Ş., established on January 22, 2016, and ZKB Varlık Kiralama A.Ş., established on September 8, 2017, are within the scope of full consolidation. There is no difference as they are included.

#### 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 statement of changes in shareholder's equity
- VI.** Consolidated statement of cash flows

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (V-I)	Current Period (30 June 2023)			Prior Period (31 December 2022)		
		TRY	FC	Total	TRY	FC	Total
<b>I. FINANCIAL ASSETS (NET)</b>		<b>24.620.403</b>	<b>52.169.551</b>	<b>76.789.954</b>	<b>21.635.778</b>	<b>37.540.469</b>	<b>59.176.247</b>
<b>1.1 Cash And Cash Equivalents</b>		<b>10.602.112</b>	<b>43.976.117</b>	<b>54.578.229</b>	<b>6.424.337</b>	<b>31.780.105</b>	<b>38.204.442</b>
1.1.1 Cash And Balances With Central Bank	(1)	5.657.717	34.197.092	39.854.809	6.310.803	18.663.442	24.974.245
1.1.2 Banks	(2)	4.961.786	9.779.025	14.740.811	134.657	13.116.663	13.251.320
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		17.391	-	17.391	21.123	-	21.123
<b>1.2 Financial Assets Measured At Fair Value Through Profit/Loss</b>	(3)	<b>-</b>	<b>3.097.240</b>	<b>3.097.240</b>	<b>-</b>	<b>2.133.604</b>	<b>2.133.604</b>
1.2.1 Government Securities		-	3.097.240	3.097.240	-	2.133.604	2.133.604
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>	(4)	<b>13.993.935</b>	<b>5.096.138</b>	<b>19.090.073</b>	<b>15.197.112</b>	<b>3.626.618</b>	<b>18.823.730</b>
1.3.1 Government Securities		13.934.000	5.096.138	19.030.138	15.139.990	3.626.618	18.766.608
1.3.2 Equity Securities		52.341	-	52.341	52.341	-	52.341
1.3.3 Other Financial Assets		7.594	-	7.594	4.781	-	4.781
<b>1.4 Derivative Financial Assets</b>	(5)	<b>24.356</b>	<b>56</b>	<b>24.412</b>	<b>14.329</b>	<b>142</b>	<b>14.471</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		24.356	56	24.412	14.329	142	14.471
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>143.574.745</b>	<b>81.419.922</b>	<b>224.994.667</b>	<b>99.369.290</b>	<b>50.812.921</b>	<b>150.182.211</b>
<b>2.1 Loans</b>	(6)	<b>103.737.395</b>	<b>69.170.210</b>	<b>172.907.605</b>	<b>84.712.509</b>	<b>41.627.471</b>	<b>126.339.980</b>
<b>2.2 Lease Receivables</b>	(6)	<b>34.820.530</b>	<b>8.788.274</b>	<b>43.608.804</b>	<b>14.356.192</b>	<b>6.879.132</b>	<b>21.235.324</b>
<b>2.3 Other Financial Assets Measured at Amortized Cost</b>	(7)	<b>8.093.041</b>	<b>3.744.319</b>	<b>11.837.360</b>	<b>2.715.329</b>	<b>2.608.614</b>	<b>5.323.943</b>
2.3.1 Government Securities		8.093.041	3.744.319	11.837.360	2.715.329	2.608.614	5.323.943
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Credit Losses (-)</b>		<b>3.076.221</b>	<b>282.881</b>	<b>3.359.102</b>	<b>2.414.740</b>	<b>302.296</b>	<b>2.717.036</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(8)	<b>280.729</b>	<b>-</b>	<b>280.729</b>	<b>274.644</b>	<b>-</b>	<b>274.644</b>
3.1 Assets Held for Sale		280.729	-	280.729	274.644	-	274.644
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES</b>	(9)	<b>24.000</b>	<b>-</b>	<b>24.000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1 Associates (Net)</b>		<b>24.000</b>	<b>-</b>	<b>24.000</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		24.000	-	24.000	-	-	-
<b>4.2 Subsidiaries (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(10)	<b>1.245.656</b>	<b>1.257</b>	<b>1.246.913</b>	<b>594.099</b>	<b>843</b>	<b>594.942</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(11)	<b>476.953</b>	<b>-</b>	<b>476.953</b>	<b>342.454</b>	<b>-</b>	<b>342.454</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		476.953	-	476.953	342.454	-	342.454
<b>VII. INVESTMENT PROPERTY (NET)</b>	(12)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	(13)	<b>1.091.521</b>	<b>-</b>	<b>1.091.521</b>	<b>788.020</b>	<b>-</b>	<b>788.020</b>
<b>X. OTHER ASSETS</b>	(14)	<b>658.499</b>	<b>254.866</b>	<b>913.365</b>	<b>925.248</b>	<b>73.157</b>	<b>998.405</b>
<b>TOTAL ASSETS</b>		<b>171.972.506</b>	<b>133.845.596</b>	<b>305.818.102</b>	<b>123.929.533</b>	<b>88.427.390</b>	<b>212.356.923</b>

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF  
30 JUNE 2023**

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

<b>ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)</b>							
<b>LIABILITIES</b>	<b>Note (V-II)</b>	<b>Current Period (30 June 2023)</b>			<b>Prior Period (31 December 2022)</b>		
		<b>TRY</b>	<b>FC</b>	<b>Total</b>	<b>TRY</b>	<b>FC</b>	<b>Total</b>
<b>I. FUNDS COLLECTED</b>	(1)	147.588.074	109.093.511	256.681.585	105.446.074	67.693.024	173.139.098
<b>II. FUNDS BORROWED</b>	(2)	390.236	6.344.686	6.734.922	341.719	4.182.250	4.523.969
<b>III. MONEY MARKETS DEBTS</b>	(3)	365.007	10.274.532	10.639.539	57.003	7.498.996	7.555.999
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	3.613.024	-	3.613.024	4.394.241	-	4.394.241
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(5)	-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>	(6)	-	1.859	1.859	-	62.998	62.998
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	1.859	1.859	-	62.998	62.998
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VII. LEASE PAYABLES (Net)</b>	(7)	491.234	-	491.234	335.946	-	335.946
<b>VIII. PROVISIONS</b>	(8)	1.126.425	925.101	2.051.526	1.624.034	541.975	2.166.009
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		184.184	-	184.184	154.439	-	154.439
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		942.241	925.101	1.867.342	1.469.595	541.975	2.011.570
<b>IX. CURRENT TAX LIABILITY</b>	(9)	198.601	174	198.775	1.487.212	2	1.487.214
<b>X. DEFERRED TAX LIABILITY</b>	(10)	-	-	-	-	-	-
<b>XI. LIABILITIES FROM 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. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	1.341.480	3.734.514	5.075.994	1.341.748	2.597.654	3.939.402
12.1 Loans		1.341.480	3.734.514	5.075.994	1.341.748	2.597.654	3.939.402
12.2 Other Debt Instruments		-	-	-	-	-	-
<b>XIII. OTHER LIABILITIES</b>	(13)	2.139.807	2.477.147	4.616.954	2.056.100	1.317.502	3.373.602
<b>XIV. SHAREHOLDERS' EQUITY</b>	(14)	15.877.222	(164.532)	15.712.690	11.496.416	(117.971)	11.378.445
14.1 Paid-in capital		7.350.000	-	7.350.000	2.650.000	-	2.650.000
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(93.224)	-	(93.224)	(94.077)	-	(94.077)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		1.062.207	(164.532)	897.675	2.540.848	(117.971)	2.422.877
14.5 Profit Reserves		2.297.860	-	2.297.860	2.297.860	-	2.297.860
14.5.1 Legal Reserves		120.251	-	120.251	120.251	-	120.251
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		2.131.542	-	2.131.542	2.131.542	-	2.131.542
14.5.4 Other Profit Reserves		46.067	-	46.067	46.067	-	46.067
14.6 Profit or (Loss)		4.998.866	-	4.998.866	3.840.272	-	3.840.272
14.6.1 Prior Period Profit/Loss		3.840.272	-	3.840.272	-	-	-
14.6.2 Current Period Profit/Loss		1.158.594	-	1.158.594	3.840.272	-	3.840.272
<b>TOTAL LIABILITIES</b>		<b>173.131.110</b>	<b>132.686.992</b>	<b>305.818.102</b>	<b>128.580.493</b>	<b>83.776.430</b>	<b>212.356.923</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS							
	Note (V-III)	Current Period (30 June 2023)			Prior Period (31 December 2022)		
		TRY	FC	Total	TRY	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>35,142.890</b>	<b>35.596.021</b>	<b>70.738.911</b>	<b>28.889.269</b>	<b>34.877.714</b>	<b>63.766.983</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>29,650.679</b>	<b>32.644.286</b>	<b>62.294.965</b>	<b>21.569.718</b>	<b>23.621.764</b>	<b>45.191.482</b>
1.1 Letters of Guarantee		29,546.910	25,413.539	54,960.449	21,211.314	16,733.373	37,944.687
1.1.1 Guarantees Subject to State Tender Law		476.373	17,027.750	17,504.123	370.605	10,953.388	11,323.993
1.1.2 Guarantees Given for Foreign Trade Operations		23,050.843	-	23,050.843	15,639.249	-	15,639.249
1.1.3 Other Letters of Guarantee		6,019.694	8,385.789	14,405.483	5,201.460	5,779.985	10,981.445
1.2 Bank Acceptances		-	123.569	123.569	-	74.133	74.133
1.2.1 Import Letter of Acceptance		-	123.569	123.569	-	74.133	74.133
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		846	6,351.516	6,352.362	846	5,650.093	5,650.939
1.3.1 Documentary Letters of Credit		846	6,351.516	6,352.362	846	5,650.093	5,650.939
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 Türkiye		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		99,758	755.662	855.420	340,558	1,164.165	1,504.723
1.7 Other Collaterals		3,165	-	3,165	17,000	-	17,000
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>3,981.879</b>	<b>347.245</b>	<b>4,329.124</b>	<b>2,401.997</b>	<b>428.407</b>	<b>2,830.404</b>
2.1 Irrevocable Commitments		3,981.879	347.245	4,329.124	2,401.997	428.407	2,830.404
2.1.1 Forward asset purchase commitments		331.974	347.245	679.219	292.171	428.407	720.578
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		1,351.433	-	1,351.433	748.093	-	748.093
2.1.7 Tax and Fund Liabilities from Export Commitments		189,719	-	189,719	95,161	-	95,161
2.1.8 Commitments for Credit Card Limits		779,340	-	779,340	544,655	-	544,655
2.1.9 Commitments for Credit Cards and Banking Services Promotions		840	-	840	458	-	458
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		1,328.573	-	1,328.573	721.459	-	721.459
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>1,510.332</b>	<b>2,604.490</b>	<b>4,114.822</b>	<b>4,917.554</b>	<b>10,827.543</b>	<b>15,745.097</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		1,510.332	2,604.490	4,114.822	4,917.554	10,827.543	15,745.097
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2 Other Forward Buy/Sell Transaction		1,510.332	2,604.490	4,114.822	4,917.554	10,827.543	15,745.097
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>209,645.731</b>	<b>44,397.818</b>	<b>254,043.549</b>	<b>131,287.786</b>	<b>32,489.349</b>	<b>163,777.135</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>9,094.729</b>	<b>17,090.676</b>	<b>26,185.405</b>	<b>8,152.999</b>	<b>13,565.085</b>	<b>21,718.084</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		2,324.677	-	2,324.677	3,865.882	4,149.611	8,015.493
4.3 Checks Received for Collection		5,954.303	256.733	6,211.036	3,857.006	247.942	4,104.948
4.4 Commercial Notes Received for Collection		814.677	288.478	1,103.155	429.039	26,523	455,562
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1,072	5,864.362	5,865.434	1,072	2,940.304	2,941,376
4.8 Custodians		-	10,681.103	10,681.103	-	6,200.705	6,200,705
<b>V. PLEDGES RECEIVED</b>		<b>200,551.002</b>	<b>27,307.142</b>	<b>227,858.144</b>	<b>123,134.787</b>	<b>18,924.264</b>	<b>142,059,051</b>
5.1 Marketable Securities		2,096,749	63,402	2,160,151	1,924,744	50,069	1,974,813
5.2 Guarantee Notes		11,757,602	195,143	11,952,745	8,077,568	171,660	8,249,228
5.3 Commodity		15,289,442	6,543,511	21,832,953	8,401,325	3,859,726	12,261,051
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		134,770,997	17,302,370	152,073,367	86,435,593	12,437,005	98,872,598
5.6 Other Pledged Items		36,636,212	3,202,716	39,838,928	18,295,557	2,405,804	20,701,361
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)</b>		<b>244,788.621</b>	<b>79,993.839</b>	<b>324,782.460</b>	<b>160,177.055</b>	<b>67,367.063</b>	<b>227,544.118</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
INCOME / EXPENSE ITEMS	Note	Current Period 1 January- 30 June 2023	Prior Period 1 January- 30 June 2022	Current Period 1 April- 30 June 2023	Prior Period 1 April- 30 June 2022
(V-IV)	(V-IV)				
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>14,855,460</b>	<b>8,587,342</b>	<b>8,192,594</b>	<b>4,682,948</b>
1.1 Profit Share on Loans		9,668,145	5,147,025	5,129,275	3,019,133
1.2 Profit Share on Reserve Deposits		-	58,519	-	11,519
1.3 Profit Share on Banks		168,361	59,845	131,059	46,825
1.4 Profit Share on Money Market Placements		-	-	-	-
1.5 Profit Share on Marketable Securities Portfolio		2,619,406	2,808,436	1,363,961	1,308,410
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		31,316	20,745	17,752	10,524
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		2,089,859	2,711,543	976,931	1,255,206
1.5.3 Financial Assets Measured at Amortised Cost		498,231	76,148	369,278	42,680
1.6 Financial Lease Income		2,365,292	499,398	1,559,300	292,927
1.7 Other Profit Share Income		34,256	14,119	8,999	4,134
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>12,333,509</b>	<b>4,401,721</b>	<b>7,167,970</b>	<b>2,598,599</b>
2.1 Profit Share Expense on Participation Accounts		11,022,750	3,447,323	6,399,165	2,055,284
2.2 Profit Share Expense on Funds Borrowed		519,262	258,562	349,081	144,635
2.3 Profit Share Expense on Money Market Borrowings		175,066	315,288	93,854	213,112
2.4 Expense on Securities Issued		572,851	349,518	302,996	171,241
2.5 Lease Profit Share Expense		41,350	22,239	22,479	12,090
2.6 Other Profit Share Expenses		2,230	8,791	395	2,237
<b>III. NET PROFIT SHARE INCOME/EXPENSE (I - II)</b>		<b>2,521,951</b>	<b>4,185,621</b>	<b>1,024,624</b>	<b>2,084,349</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>581,228</b>	<b>143,200</b>	<b>413,625</b>	<b>76,889</b>
4.1 Fees and Commissions Received		711,479	210,746	475,666	115,420
4.1.1 Non-cash Loans		211,539	129,451	113,997	71,646
4.1.2 Other		499,940	81,295	361,669	43,774
4.2 Fees and commissions paid(-)	(-)	130,251	67,546	62,041	38,531
4.2.1 Non-cash Loans		-	-	-	-
4.2.2 Other		130,251	67,546	62,041	38,531
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>774</b>	<b>-</b>	<b>774</b>
<b>VI. NET TRADING INCOME (Net)</b>	<b>(4)</b>	<b>1,116,557</b>	<b>43,417</b>	<b>903,417</b>	<b>16,718</b>
6.1 Capital Market Transaction Gains / Losses		(13,452)	(649)	(16,188)	(1,325)
6.2 Gains/ Losses From Derivative Financial Instruments		122,815	50,959	56,433	(387)
6.3 Foreign Exchange Gains / Losses		1,007,194	(6,893)	863,172	18,430
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>1,528,017</b>	<b>481,951</b>	<b>284,609</b>	<b>194,509</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>5,747,753</b>	<b>4,854,963</b>	<b>2,626,275</b>	<b>2,373,239</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>1,626,622</b>	<b>820,018</b>	<b>682,607</b>	<b>371,281</b>
<b>X. OTHER PROVISIONS (-)</b>	<b>(6)</b>	<b>41,052</b>	<b>418,674</b>	<b>18,583</b>	<b>310,494</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>967,085</b>	<b>318,499</b>	<b>552,724</b>	<b>134,955</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>1,749,500</b>	<b>325,638</b>	<b>814,160</b>	<b>182,694</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>1,363,494</b>	<b>2,972,134</b>	<b>558,201</b>	<b>1,373,815</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATION(XIII+...+XVI)</b>	<b>(8)</b>	<b>1,363,494</b>	<b>2,972,134</b>	<b>558,201</b>	<b>1,373,815</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(204,900)</b>	<b>(860,553)</b>	<b>(397,687)</b>	<b>(456,665)</b>
18.1 Current Tax Provision		-	(1,207,974)	-	(616,849)
18.2 Expense Effect of Deferred Tax (+)		(720,734)	(16,572)	(274,134)	(9,560)
18.3 Income Effect of Deferred Tax (-)		515,834	363,993	(123,553)	169,744
<b>XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)</b>	<b>(10)</b>	<b>1,158,594</b>	<b>2,111,581</b>	<b>160,514</b>	<b>917,150</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 (XX-XXI)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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 (XXII±XXIII)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XIX+XXIV)</b>	<b>(11)</b>	<b>1,158,594</b>	<b>2,111,581</b>	<b>160,514</b>	<b>917,150</b>
Earnings per share income/loss (Full TRY)		0,2335	1,0234	(0,0795)	0,3410

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

## ZİRAAT KATILIM BANKASI A.Ş.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 1 January - 30 June 2023	Prior Period 1 January - 30 June 2022
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>1.158.594</b>	<b>2.111.581</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(1.524.349)</b>	<b>834.809</b>
<b>2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss</b>	<b>853</b>	<b>828</b>
2.1.1 Tangible Assets Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	-	-
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	853	828
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(1.525.202)</b>	<b>833.981</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(2.033.602)	1.111.975
2.2.3 Gains/losses from Cash Flow Hedges	-	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	508.400	(277.994)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>(365.755)</b>	<b>2.946.390</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

1. Increases and decreases in Tangible and Intangible Assets Revaluation Reserve

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Total Equity Excluding Minority Shares	Minority Shares	Total Equity
	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Net Profit or Loss		
<b>PRIOR PERIOD</b>															
<b>30 June 2022</b>															
<b>I. Prior Period End Balance</b>	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735	4.321.735
<b>II. Adjustments in Accordance with TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I-II)</b>	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735	4.321.735
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	-	828	-	833.981	-	-	-	2.111.581	-	2.946.390
<b>V. Capital Increase by Cash</b>	900.000	-	-	-	-	-	-	-	-	-	-	-	-	900.000	900.000
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in Capital Inflation Adjustment Difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes (*)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period End Balance (III+IV.....+X+XI)</b>	2.650.000	-	-	261.513	-	(6.895)	828	-	853.238	-	2.297.860	-	2.111.581	8.168.125	8.168.125
<b>CURRENT PERIOD</b>															
<b>30 June 2023</b>															
<b>I. Prior Period End Balance</b>	2.650.000	-	-	261.513	-	(94.366)	289	-	2.422.877	-	2.297.860	3.840.272	-	11.378.445	11.378.445
<b>II. Adjustments in Accordance with TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I-II)</b>	2.650.000	-	-	261.513	-	(94.366)	289	-	2.422.877	-	2.297.860	3.840.272	-	11.378.445	11.378.445
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	-	853	-	(1.525.202)	-	-	-	1.158.594	(365.755)	(365.755)
<b>V. Capital Increase by Cash</b>	4.700.000	-	-	-	-	-	-	-	-	-	-	-	-	4.700.000	4.700.000
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in Capital Inflation Adjustment Difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/decrease by other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period end Balance (III+IV.....+X+XI)</b>	7.350.000	-	-	261.513	-	(94.366)	1.142	-	897.675	-	2.297.860	3.840.272	1.158.594	15.712.690	15.712.690

2. Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans,

3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Not Reclassified Through Profit or Loss))

4. Exchange Differences on Translation

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets at fair value through other comprehensive income

6. Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Reclassified Through Profit or Loss)

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
		Current Period 1 January-30 June 2023	Prior Period 1 January-30 June 2022
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities)</b>		<b>5.215.428</b>	<b>1.518.461</b>
1.1.1 Profit Share Income Received		14.759.546	4.864.866
1.1.2 Profit Share Expense Paid		(9.796.091)	(3.036.195)
1.1.3 Dividend Received		-	774
1.1.4 Fees and Commissions Received		1.532.680	329.818
1.1.5 Other Income		692.354	-
1.1.6 Collections from Previously Written-off Loans		36.818	245.670
1.1.7 Payments to Personnel and Service Suppliers		(967.085)	(318.499)
1.1.8 Taxes Paid		(2.444.250)	(873.383)
1.1.9 Others <sup>(*)</sup>		1.401.456	305.410
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>(557.365)</b>	<b>6.580.981</b>
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(957.784)	(92.691)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(17.453.189)	(3.191.793)
1.2.3 Net (Increase) / Decrease in Loans		(41.903.001)	(31.685.042)
1.2.4 Net (Increase) / Decrease in Other Assets		(22.292.638)	(3.158.804)
1.2.5 Net Increase / (Decrease) in Bank Funds		374.308	(2.130.458)
1.2.6 Net Increase / (Decrease) in Other Funds		75.874.251	47.755.417
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		2.317.881	783.087
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities		3.482.807	(1.698.735)
<b>I. Net Cash Provided from Banking Operations</b>		<b>4.658.063</b>	<b>8.099.442</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(9.581.101)</b>	<b>(3.189.848)</b>
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		(24.000)	-
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3 Purchases of Tangible Assets		(765.856)	(176.686)
2.4 Disposals of Tangible Assets		31.819	66.058
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(6.264.467)	(4.158.611)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		3.373.461	2.084.317
2.7 Purchase of Financial Assets Measured at Amortized Cost		(5.932.058)	(1.004.926)
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>3.839.902</b>	<b>1.065.261</b>
3.1 Cash Obtained from Funds Borrowed And Securities Issued		8.643.293	7.900.000
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(9.455.712)	(7.710.775)
3.3 Issued Equity Instruments		4.700.000	900.000
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(47.679)	(23.964)
3.6 Other		-	-
<b>IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents</b>	(1)	<b>1.484.318</b>	<b>404.396</b>
<b>V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)</b>	(1)	<b>401.182</b>	<b>6.379.251</b>
<b>VI. Cash And Cash Equivalents At The Beginning Of The Period</b>	(1)	<b>21.154.391</b>	<b>8.059.458</b>
<b>VII. Cash And Cash Equivalents At The End Of The Period</b>	(1)	<b>21.555.573</b>	<b>14.438.709</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

The format and content of the publicly announced consolidated financial statements and 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 the Official Gazette No. 28337, dated 28 June 2012 and the “Communiqué on Public Disclosures on Risk Management by Banks”, published in the Official Gazette No. 29511, dated 23 October 2015 and amendments to these 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 stated on the basis of historical cost, all balances are presented in thousands of Turkish lira (“TRY”), except for the financial assets and liabilities shown at their fair values, on the basis of historical cost.

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

The Benchmark Interest Rate Reform, which brings changes to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, has been published, effective from 1 January 2022 with the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The Bank has participated in international protocols within the scope of IBOR transformation. The Benchmark Interest Rate Reform process continues and the Bank continues to work within the scope of adaptation to the changes.

The Public Oversight Authority made a statement on the Application of Financial Reporting in High Inflation Economies within the scope of Turkish Financial Reporting Standards on January 20, 2022. Accordingly, it has been stated that companies applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies.

As of 30 June 2023, no new announcement has been made by KGK in this context, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated 30 June 2023.

The tension between Russia and Ukraine since the beginning of 2022 has turned into a crisis and a hot conflict and continues as of the date of the report. The Bank does not have operations in either country, and the said crisis is not expected to have a direct impact on the Bank's operations. Developments are followed and their estimated effects are evaluated within the scope of the relevant accounting standards and reflected in the financial statements.

The effects of the earthquake disaster that occurred in Kahramanmaraş and surrounding provinces in February 2023 have been reviewed, and its effects on the financial statements are followed closely.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TRY”))

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

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

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

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

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

**III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES**

**Consolidation principles applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated 8 November 2006 and the “Consolidated Financial Statements” (“TFRS 10”).

**1. Consolidation principles for subsidiaries:**

Subsidiaries (including special purpose entity) are all entities, in which the Parent Bank has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies. Control is when the Parent Bank directly or indirectly owns the majority of the capital in a legal entity, or if it does not have the majority, or if it holds the majority of the voting rights based on agreements with other shareholders, or to appoint the majority of the members of the board of directors in any way, or considered to have the power to dismiss.

Subsidiaries are consolidated using the full consolidation method, within the framework of the principle of materiality on the basis of their operating results, assets and equity sizes.

Subsidiaries are included in the scope of consolidation from the date on which control over their operations is transferred to the Group and will be excluded from the scope of consolidation on the date that control ceases. When deemed necessary, the accounting policies applied for subsidiaries may be changed to ensure consistency with the accounting policies applied by the Group.

According to the full consolidation method, 100% of the balance sheet, profit or loss statement and off-balance sheet items of the subsidiaries are consolidated with the balance sheet, profit or loss statement and off-balance sheet items of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. There are no minority rights in the consolidated net income of the subsidiary.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (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 2023				
Title	Address (City / Country)	Main Activities	Group’s Share Percentage (%)	Direct and Indirect Partnership Rates (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established and registered to the trade registry in 22 January 2016 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Türkiye”. Ziraat Katılım Varlık Kiralama A.Ş has been founded to operate lease certificate according to rulings of Capital Markets Board of Türkiye 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 TRY 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

#### 2. Consolidation principles of associates and joint ventures:

As of 30 June 2023, the Group has no subsidiaries and jointly controlled entities.

#### 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 are initially recorded at their fair values. In the periods following the recording of derivative transactions; Depending on whether the fair value is positive or negative, the fair value difference of derivative financial assets is reflected to profit or loss or the fair value difference of derivative financial liabilities is reflected in the balance sheet. Differences in fair value as a result of the valuation are accounted for under profit/loss from derivative financial transactions and foreign exchange gain/loss in the commercial profit/loss item in the profit or loss statement.

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

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

Profit share income is recognized according to the internal rate of return method, which equates to the present net value of the future cash flows of the financial asset determined in TFRS 9, and is recorded on an accrual basis.

The Parent Bank has started to calculate rediscount for its non-performing loans as of 1 January 2018. Rediscount is calculated over the net book value of the non-performing receivables (Gross Book Value - Expected Loss Provision).

The Parent Bank accounts for its profit share expenses on an accrual basis. Expense accruals are calculated according to the unit value calculation method over the participation accounts and these amounts are shown in the “Funds Collected” in the balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES**

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Commission income from cash loans are transferred to income accounts in accordance with TFRS 15 Revenue from Customer Contracts standard by using internal rate of return method depending on the periodicity principle. Other fee and commission expenses are recorded in the expense account as soon as they are paid.

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 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 Bank, if the Bank is a legal party to these instruments.

The Bank classifies its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition. Financial assets basically constitute the commercial activities and operations of the Bank. These instruments have the feature of revealing, influencing and reducing the liquidity and credit risk in the financial statements.

**Classification and Measurement under TFRS 9**

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by;

"Business Model Assessment" and "Contractual Cash Properties Test" are performed to determine the classification of financial assets.

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

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. Gains and losses resulting from the valuation are included in the profit/loss accounts.

Among the financial assets whose fair value difference is reflected in profit or loss, lease certificates traded in BIST are valued at the weighted average clearing prices formed in BIST at the balance sheet date, and financial assets not traded in BIST are valued with the prices of the Central Bank of Türkiye. Gains and losses resulting from the valuation are included in the profit/loss accounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

**Equity investments**

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

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

**c. Financial assets measured at amortized cost:**

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

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

The Group's portfolio of securities at fair value through other comprehensive income and measured at amortized cost includes consumer price ("CPI") indexed lease certificates. The valuation of the said securities is made according to the internal yield method based on the real profit share rates and the index value announced by the treasury.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Loans**

Loans consist of financial assets created by providing goods or services to the borrower. The first recording of the loans is made with their cost values and after they are recorded, they are measured with their amortized values using the "internal rate of return method".

Cash loans; are accounted according to their original balances in the accounts specified in the Uniform Chart of Accounts and Prospectus, according to type, maturity and collateral structures. Foreign currency loans are recorded at a fixed price and are evaluated with the Bank's counter foreign exchange buying rate. The repayments of the foreign currency indexed loans, which were used in TRY over the Bank's counter foreign exchange buying rate valid on the date of use, are collected in TRY equivalents calculated over the Bank's counter foreign exchange sales rate valid on the installment collection date.

As of 30 June 2023, all loans of the Group, including its profit-loss partnership (musharakah) investments, are followed in the "Measured by Amortized Cost" account. The profit and loss partnership (musharakah) and labor capital partnership investments followed by the Bank in the loans account according to the BRSA Uniform Chart of Accounts, with the BRSA's letter numbered E-43890421-010.07.01-1294, those that will be valued for the first time as of 31 December 2022 or from 1 January 2021 new implementation of "Interest-Free Finance Accounting Standard 3: Mudaraba Financing" or "Interest-Free Finance Accounting Standard 4: Musharakah Financing" for partnership financing funds in the form of "labor-capital partnership" (mudaraba) or "profit-loss partnership" (musharakah) accounted in accordance with the provision.

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

**Explanations on Expected Loss Provisions**

The Parent Bank does not allocate impairments in accordance with TFRS 9 from 1 January 2018 for its loans and receivables by taking into consideration the "Regulation on the Classification of Loans and the Procedures and Principles Regarding the Provisions to be Set Aside" (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750.

In this context, the Group takes into consideration the general structure of the loan portfolio, the financial structure of the customers, the non-financial data and the economic conjuncture in line with the credit risk policies and prudence principle when determining its estimates.

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

***Provision for 12 month expected credit loss (Stage 1)***

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

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

***Significant increase in credit risk (Stage 2)***

Financial assets are transferred to stage 2 if it is determined that there is a significant increase in credit risk. While the expected loss allowance is calculated for 1 year for loans in stage 1, the expected loss allowance for loans in stage 2 is calculated by taking into account all remaining maturity.

The main criteria taken into account in determining the significant increase in the credit risk of the financial asset and its transfer to the 2nd stage are that it is under close monitoring, that the number of delay days is 30 days or more, and the Bank's internal early warning system rating.

***Default (Stage 3)***

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

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

- Objective Default Definition: Means the debt is overdue for more than 90 days. With the debt 90 days overdue, the default situation starts on the 91st day.
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TRY"))

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**Probability of Default**

Probability of default refers to the likelihood that a loan will default at a certain time.

In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

**Default Amount**

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

**Loss Given Default**

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

**Future Expectations**

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

The Group uses 3 scenarios as base, bad and good for future expectations. All 3 scenarios have predetermined weights. The Bank updates the macroeconomic variables used in the assessment of significant increase in credit risk and in the calculation of expected credit loss, quarterly in March, June, September and December, and applies them to its models. As of June 30, 2022, macroeconomic variables, which are taken as a basis in the calculation of expected credit losses and including the effect of COVID-19, are reflected in the models.

**The Methodology of Behavioral Maturity Calculation**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Write-off Policy**

The amendment with respect to the regulation "Regulation on the Amendment of the Regulation on the Classification of Loans and the Procedures and Principles Regarding the Classification of Loans and Provisions for These" entered into force with its publication in the Official Gazette No.31533 on 6 July 2021. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) within the period deemed appropriate by the bank specific to the situation of the debtor, if it cannot reasonably be expected to be recovered. Since the reporting period, it can be written-off from the records under TFRS 9. The write-off is an accounting policy and does not result in the waiver of the right to receivable. Within the scope of the said amendment, no credit has been deducted from the records by the Bank as of the current period.

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

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

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES**

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Türkiye ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of 30 June 2023, there are no securities lending transactions (31 December 2021: None). Securities sold under agreements for repurchase agreements ("Repos") are classified as "Fair Value Through Profit or Loss", "Fair Value Through Other Comprehensive Income" and "Financial Asset Measured at Amortized Cost" in the portfolio of the bank, according to the purposes of the Bank, and they are subject to valuation according to the portfolio which are belong. Funds obtained in return for repo agreements are accounted in "Money Markets Receivables" account and interest expense accruals for the period are calculated with the effective interest rate method.

Securities transactions purchased with a commitment to resell are accounted for under the "Money Market Receivables" item in the balance sheet, and participation share rediscounts for the period are calculated according to the internal yield method.

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TRY"))

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan. Various events or circumstances may extend the completion time of the sale transaction beyond one year. Assets continue to be classified as held for sale if there is sufficient evidence that the delay is due to events or conditions beyond the Bank's control and that the Bank's plan to sell the related asset (or disposal group) is in progress is done. The real estates acquired by the Bank due to its receivables are shown in the asset held for sale line in the financial statements, depending on the conclusion of the forward sales contract.

A discontinued operation is a part of a business that is classified as either to be disposed of or held for sale. Results of discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

As of 30 June, 2023, the Bank's non-current assets held for sale are TRY 280.729 (31 December 2022: TRY 274.644).

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

As of the balance sheet date, there is no goodwill in the financial statements of the Bank.

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

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

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

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON TANGIBLE ASSETS (Continued)**

Applied depreciation rates are as follows;

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

Ordinary maintenance and repair expenses incurred for tangible assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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

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

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

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

***Operational Leasing Transactions***

***Transactions as a lessee***

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

***Right of use;***

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

*Lease Liabilities:*

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

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

The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation. The Participation Bank takes part as a lessor in leasing transactions. The Participation Bank indicates the assets subject to leasing as a receivable equal to the net lease investment amount in the balance sheet. The total of the lease payments is gross in the 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 lease receivables account; the profit share is reflected in the statement of profit or loss by deducting from the unearned profit share income account.

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES**

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (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" and the Group's liabilities related to future severance pay and right to leave calculated and reflected to the consolidated financial statements on the net present value.

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

The Group 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 2023, the Bank's employee termination benefit is TRY 149.020 (31 December 2022: TRY 125.764).

Communiqué on "Turkish Accounting Standard ("TAS19") about Benefits for Employee (No:9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority ("POA") on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TRY 94.366 was classified under shareholders' equity in the financials. (31 December 2022: TRY 94.366 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 30 June 2023 unused vacation liability of the Bank is TRY 35.000 (31 December 2022: TRY 28.175).

The Group does not employ its personnel by means of limited-period contracts.

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

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2022 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON TAXATION**

**a. Current tax**

As of 30 June 2023 the corporate tax rate has been applied as 25% in the financial statements. In accordance with the Law No. 7316 published in the Official Gazette dated 22 April 2021, "The corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of 1 July 2021 and being effective for the taxation period starting from 1 January 2021 and this rate has been determined as 23% for the taxation period of 2022. However, with the publication of the Law No. 7394 in the Official Gazette dated 15 April 2022, banks, consumer finance companies, factoring and financial leasing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies The corporate tax rate for pension companies has been permanently increased to 25%, and this change will be valid for returns to be submitted after 1 July 2022. Therefore, as of the first quarter of 2022, the tax rate to be taken into account in the calculation of corporate tax is 23%, and the tax rate to be applied to the cumulative earnings of 2022 in the second quarter and following periods of 2022 had taken into account as 25%. In accordance with Article 21 of the Law No. 7456 published in the Official Gazette dated 15 July 2023 and numbered 32249, starting from the declarations that must be submitted as of 1/10/2023; the corporate tax rate to be applied to the profits of corporations in 2023 and the following taxation periods has been increased from 25% to 30% for banks and other institutions mentioned in the law. The corporate tax rate is applied to the tax base to be found as a result of the addition of the non-deductible expenses in accordance with the tax laws to the commercial income of the corporations, and deducting the exceptions (such as the participation earnings exemption) and deductions in the tax laws. No further tax is paid if the profit is not distributed.

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Türkiye or to resident corporations are not subject to withholding tax. While dividends paid to individuals and corporations were 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 calculate advance tax quarterly on their financial profits at the corporate tax rate valid for that year and declare and pay until the 17th day of the second month following that period. Advance tax paid by corporations for the current period is offset 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 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).

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 do 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 warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 50% of the profits arising from the sale of the said assets obtained by the banks in this way, and 75% of the profits arising from the sale of others are exempted from corporation tax.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Current tax (Continued)**

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.

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the regulation made with the Law No. 7352 dated 20 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, have not been adjusted for inflation, and for the 2023 accounting period; It will not be subject to inflation adjustment as of the temporary tax periods, and the TPL financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in VUK financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base. With the arrangement made in the Repeated 298/D and Provisional Articles 32 of the Tax Procedure Law, companies have been given the opportunity for permanent and temporary revaluation. Accordingly, as of the beginning of the 2022 accounting period, our Bank first brought its fixed assets registered in its assets to their current values in accordance with the Provisional Article 32 of the TPL, and then revalued them in accordance with the repetitive article 298/Ç of the TPL. As a result of these transactions, the tax depreciation figures that will be subject to corporate tax will be calculated over the revalued current amounts. In accordance with the relevant legislation, the value increase amounts are shown in a special fund account under shareholders' equity.

As a result of these transactions, the tax depreciation figures that will be subject to corporate tax will be calculated over the revalued current amounts. In accordance with the relevant legislation, the value increase amounts are shown in a special fund account under shareholders' equity.

**b. Deferred tax**

The Parent Bank calculates and accounts deferred tax in accordance with TAS 12 "Turkish Accounting Standard on Income Taxes" for temporary differences between the accounting policies and valuation principles applied and the tax basis determined in accordance with the tax legislation. With the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810, and the Law on Amendments to Some Laws and Decree-Laws, with Article 26 of the Law No. 5520 With the paragraph added to the temporary article 13 of the Corporate Tax Law, the Corporate Tax rate was rearranged for the corporate earnings of the 2023 taxation period and it was stated that the tax rate would be applied as 25% for the banks. In accordance with Article 21 of the Law, starting from the declarations that must be submitted as of October 1, 2023; The corporate tax rate to be applied to the profits of corporations in 2023 and the following taxation periods has been increased from 25% to 30% for banks and other institutions mentioned in the law.

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates. In the calculation of deferred tax, the Bank estimates the time when temporary differences will be taxable/deductible and uses enacted tax rates as of the balance sheet date in accordance with the current tax legislation. As the deferred tax assets or liabilities within the scope of TAS 12 are calculated based on the tax rates (and tax laws) that are in effect or nearly effective as of the end of the reporting period (balance sheet date), using the tax rates expected to be applied in the periods when the assets are converted into income or the liabilities are paid, the Bank has as of 30 June 2023, deferred tax calculations were made based on rates varying %25 on assets and liabilities. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future. Except for goodwill or business combinations, deferred tax liability or asset is not calculated for temporary timing differences arising from the initial recognition of assets or liabilities and which do not affect both commercial and financial profit or loss.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

###### b. Deferred tax (Continued)

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.

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

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

As of January 1, 2018, deferred tax assets have been started to be calculated over the expected loss provisions that constitute temporary difference within the framework of TFRS 9 provisions. Deferred tax calculations are not made for free provisions.

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

The Group recognizes its debt instruments in accordance with TFRS 9 "Financial Instruments" and all financial liabilities are carried at amortized cost by using effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

The Bank received from TC Ziraat Bankası A.Ş. on 28 March 2019 in the amount of TRY 300.000; In the amount of TRY 500.000 on April 15, 2021; on November 17, 2021, it provided a loan amounting to TRY 500.000 as a contribution capital.

On April 24, 2019, with the approval of the BRSA on April 22, 2019, the Bank obtained EUR 100.000 from Türkiye Wealth Fund Market Stability and Balance Sub-Fund; with the approval of the BRSA on March 9, 2022, a subordinated loan amounting to EUR 57.039 is provided within the scope of demand and non-profit additional capital.

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

There are no issued shares by the Parent Bank as of balance sheet date.

##### 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.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### XXII. EXPLANATIONS ON RELATED PARTIES

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

#### XXIII. EXPLANATION ON CASH AND CASH EQUIVALENT

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

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

#### XXIV. EXPLANATION ON SEGMENT REPORTING

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

#### XXV. EXPLANATIONS ON OTHER MATTERS

None.

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**SECTION FOUR**

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

**I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY**

Equity amount and capital adequacy standard ratio, within the framework of “Regulation on Banks’ Equity” and “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” and in addition to these, the following regulations of the BRSA;

- In accordance with the Decision of the Banking Regulation and Supervision Agency dated 28 April 2022 and numbered 10188, the Central Bank’s foreign exchange buying rate of 31 December 2021 was used while calculating the valued amounts in foreign currency in calculating the amount subject to credit risk.

- In case the net valuation differences of the securities held by banks in the portfolio of “Securities at Fair Value Reflected in Other Comprehensive Income” within the framework of the regulation dated 21 December, 2022 and numbered 9996 are negative, these differences may not be taken into account in the equity amount. The said exception was not used in the 30 June 2023 equity calculation.

The current period equity amount calculated as of 30 June 2023, taking into account the latest regulations, is 20.310.562 TRY (31 December 2022: 15.901.345 TRY) and the capital adequacy standard ratio is 14,57% (31 December 2021: 15,42%). The capital adequacy standard ratio of the Parent Bank is above the minimum ratio determined by the relevant legislation.

**Information Related To The Components of Shareholders’ Equity:**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	7.350.000	2.650.000
Share issue premiums	-	-
Reserves	2.297.860	2.297.860
Gains recognized in equity as per TAS	1.788.294	3.673.072
Profit	4.998.866	3.840.272
Current Period Profit	1.158.594	3.840.272
Prior Period Profit	3.840.272	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>16.435.020</b>	<b>12.461.204</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	433.122	282.676
Improvement costs for operating leasing	505.670	98.174
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	476.953	342.454
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 15% or less of the issued common share capital exceeding 15% 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 15% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 15% 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	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

	Current Period 30 June 2023	Prior Period 31 December 2022
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	-	-
E 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 I Capital</b>	<b>1.415.745</b>	<b>723.304</b>
<b>Total Common Equity Tier I Capital</b>	<b>15.019.275</b>	<b>11.737.900</b>
<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	3.166.507	2.257.081
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>3.166.507</b>	<b>2.257.081</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>18.185.782</b>	<b>13.994.981</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA	1.300.000	1.300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	847.004	615.573
<b>Tier II Capital Before Deductions</b>	<b>2.147.004</b>	<b>1.915.573</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>2.147.004</b>	<b>1.915.574</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>20.332.786</b>	<b>15.910.555</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

	Current Period 30 June 2023	Prior Period 31 December 2022
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>	<b>20.332.786</b>	<b>15.910.555</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	22.224	9.210
<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 (Total capital and contribution capital)	<b>20.310.562</b>	<b>15.901.345</b>
Total risk weighted amounts	139.444.091	102.160.655
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	10,77	11,49
Tier 1 Capital Adequacy Ratio (%)	13,04	13,70
Capital Adequacy Ratio (%)	14,57	15,57
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>2,50</b>	<b>2,50</b>
a) Capital conservation buffer requirement (%)	2,50	2,50
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,27	6,99
<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 ten thousand twenty five limitation)	847.004	615.573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	847.004	615.573
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	-	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

###### Information of the borrowing instruments to be included in equity calculation:

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 300 Million
Par value of instrument	TRY 300 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	29 March 2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
<b>Coupons/dividends<sup>(*)</sup></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”	In Compliance with Article number 8
Details of incompliance with article number 7 and 8 of “Own fund regulation”	-

<sup>(\*)</sup> Profit share for participation banks.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 500 Million
Par value of instrument	TRY 500 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	16 April 2021
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 defund.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	18,00%
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"	In Compliance with Article number 8
Details of incompliance 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 OF 30 JUNE 2023

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

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

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

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 500 Million
Par value of instrument	TRY 500 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	17 November 2021
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 defund.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	17,75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
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”	In Compliance with Article number 8
Details of incompliance 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 OF 30 JUNE 2023

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

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

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

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 2.186 Million
Par value of instrument	TRY 2.799 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	24 April 2019
Perpetual or dated	Undated
Original maturity date	24 April 2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
<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”	In Compliance with Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7

(\*) Profit share for participation banks

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 981 Million
Par value of instrument	TRY 1.597 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	9 March 2022
Perpetual or dated	Undated
Original maturity date	9 March 2022
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
<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”	In Compliance with Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7

(\*) Profit share for participation banks

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

	Current Period 30 June 2023	Prior Period 31 December 2022
<b>Equity value of balance sheet</b>	<b>15.712.690</b>	<b>11.378.445</b>
Cost of development of operating lease	(505.670)	(98.174)
Goodwill and other intangible assets and related deferred tax liability	(476.953)	(342.454)
Debt instruments and premiums approved by BRSA	1.300.000	1.300.000
Tier II Capital (Provisions)	847.004	615.573
Debt instruments and premiums approved by BRSA –subordinated loans	3.166.507	2.257.081
Other values deducted from equity	(22.224)	(9.210)
Other	289.208	800.084
<b>Amount taken into consideration in the calculation of legal equity</b>	<b>20.310.562</b>	<b>15.901.345</b>

#### II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. 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) Foreign currency risk policy:

"Liquidity Gap Analysis" is performed to determine the liquidity risks in the most important foreign currencies in which the Parent Bank operates, the US Dollar and Euro. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

- d) Current foreign exchange bid rates of the Group for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
30.06.2023	25,5962	27,9943	17,0280	3,7408	2,3799	28,5420	19,2853	2,3764	32,5939	6,7737	17,6320
27.06.2023	25,5962	27,9943	17,0280	3,7408	2,3799	28,5420	19,2853	2,3764	32,5939	6,7737	17,6320
26.06.2023	25,2395	27,5283	16,7656	3,6789	2,3459	28,1410	18,9919	2,3459	32,0765	6,6793	17,4040
25.06.2023	24,6540	26,8208	16,3693	3,5839	2,2815	27,3873	18,5049	2,2568	31,3226	6,5233	16,9820
22.06.2023	23,9253	26,2194	16,0950	3,5025	2,2253	26,6133	17,9880	2,2435	30,4900	6,3307	16,5880
21.06.2023	23,1511	25,3617	15,5972	3,3883	2,1522	25,8184	17,3861	2,1547	29,4733	6,1250	16,1350

- d) Simple arithmetic average of the Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
23,3652	25,3335	15,6327	3,3842	2,1622	25,9072	17,4348	2,1566	29,5485	6,1831	16,3765

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

	Euro	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 Türkiye	9.773.053	19.915.036	4.509.003	34.197.092
Banks	2.036.754	4.718.176	3.024.095	9.779.025
Financial assets at fair value through profit and loss	-	-	3.097.240	3.097.240
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	421.023	4.675.115	-	5.096.138
Loans <sup>(*)</sup>	38.076.134	39.751.874	1.076	77.829.084
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	3.744.319	-	-	3.744.319
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	1.257	1.257
Intangible assets	-	-	-	-
Other assets	67.451	23.320	164.151	254.922
<b>Total assets</b>	<b>54.118.734</b>	<b>69.083.521</b>	<b>10.796.822</b>	<b>133.999.077</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	47.489	23.160	1.137	71.786
Current and participation accounts FC	43.959.283	55.071.730	9.990.712	109.021.725
Money market borrowings	-	10.274.532	-	10.274.532
Funds provided from other financial institutions	3.675.006	2.669.680	-	6.344.686
Marketable securities issued <sup>(****)</sup>	-	-	-	-
Miscellaneous debts	1.600.598	617.941	830	2.219.369
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities <sup>(****)</sup>	4.392.883	284.283	242.260	4.919.426
<b>Total liabilities</b>	<b>53.675.259</b>	<b>68.941.326</b>	<b>10.234.939</b>	<b>132.851.524</b>
<b>Net balance sheet position</b>	<b>443.475</b>	<b>142.195</b>	<b>561.883</b>	<b>1.147.553</b>
<b>Net off-balance sheet position <sup>(**)</sup></b>	<b>(559.886)</b>	<b>(924.560)</b>	<b>-</b>	<b>(1.484.446)</b>
Financial derivative assets	-	560.022	-	560.022
Financial derivative liabilities	559.886	1.484.582	-	2.044.468
<b>Net position</b>	<b>15.680.022</b>	<b>15.079.331</b>	<b>1.884.933</b>	<b>32.644.286</b>
<b>Non cash loans</b>				
<b>Prior Period</b>	<b>34.862.521</b>	<b>46.065.145</b>	<b>7.663.457</b>	<b>88.591.123</b>
Total assets	31.644.082	44.780.856	7.469.463	83.894.401
Total liabilities	3.218.439	1.284.289	193.994	4.696.722
<b>Net balance sheet position</b>	<b>(2.993.145)</b>	<b>(1.964.608)</b>	<b>-</b>	<b>(4.957.753)</b>
<b>Net off-balance sheet position</b>	<b>-</b>	<b>2.934.895</b>	<b>-</b>	<b>2.934.895</b>
Financial derivative assets	2.993.145	4.899.503	-	7.892.648
Financial derivative liabilities	10.299.536	12.324.700	997.528	23.621.764

(\*) Foreign currency indexed loans amounting to TRY 153.481 (31 December 2022: 163.733 TRY) which are displayed as TRY in the consolidated financial statements, are shown with the relevant foreign currency code. Includes receivables from lease transactions.

(\*\*) Shows the net of receivables from derivative financial instruments and payables from derivative financial instruments.

(\*\*\*) The currencies in the other FX column of the assets section consist of 82% Gold, 3% GBP, 2% CHF and the remaining 13% other currencies.

The foreign currencies in the FX column of the liabilities section consist of 85% Gold, 2% GBP, 2% CHF and the remaining 11% other currencies.

(\*\*\*\*) Provisions and liabilities from lease transactions are included.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (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 TRY 52.341 all of which are 100% risk weighted (31 December 2022: TRY 52.341).

**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 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 unconsolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation.

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

**1) LIQUIDITY RISK:**

**a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. For this reason, the assets and liabilities of the Bank are compatible with the dividend rates.

The Parent Bank, TRY 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)****IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****1) Liquidity Risk (Continued)**

- b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

- c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

- d) Evaluation of the banks cash flow rates and its sources:**

The Parent Bank's main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

**2) Liquidity Coverage Ratio:**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the 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 Türkiye's Treasury along with cash assets and care of Central Bank of the Republic of Türkiye's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, which is the main sourcing for the Bank, is provided from many different customers.

The lowest and highest Liquidity Coverage Ratios in the second quarter of 2023 are listed in the table below.

<b>Current Period</b>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>
TRY+FC	150,18	24.06.2023	91,00	09.04.2023
FC	296,23	12.05.2023	160,97	26.05.2023

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

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

Current Period 30 June 2023	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High quality liquid assets	-	-	45.999.306	30.255.146
<b>CASH OUTFLOWS</b>				
Real person deposits and retail deposits	79.010.346	33.519.781	7.774.941	3.475.713
Stable deposit	8.427.584	-	421.379	-
Deposit with low stability	70.582.762	33.519.781	7.353.562	3.475.713
Unsecured debts except real person deposits and retail deposits	111.716.497	45.484.224	53.377.801	20.481.741
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	111.716.497	45.484.224	53.377.801	20.481.741
Secured debts	-	-	-	-
Other cash outflows	63.027.147	30.777.551	8.058.365	5.643.887
Derivative liabilities and margin obligations	5.775.963	4.148.357	4.681.160	4.148.357
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	1.704.400	687.953	599.866	198.468
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	55.546.784	25.941.241	2.777.339	1.297.062
<b>TOTAL CASH OUTFLOW</b>	<b>55.546.784</b>	<b>25.941.241</b>	<b>69.211.107</b>	<b>29.601.341</b>
<b>CASH INFLOWS</b>				
Secured receivables	-	-	-	-
Unsecured claims	36.402.802	15.128.066	25.337.639	12.529.640
Other cash inflows	4.901.935	3.168.404	4.901.935	3.168.404
<b>TOTAL CASH INFLOWS</b>	<b>41.304.737</b>	<b>18.296.470</b>	<b>30.239.574</b>	<b>15.698.044</b>
	<b>Upper Limit Applied Values</b>			
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	-	-	<b>45.999.306</b>	<b>30.255.146</b>
<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>38.971.535</b>	<b>13.903.296</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>118</b>	<b>218</b>

(\*) 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 OF 30 JUNE 2023**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)****IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****2) Liquidity Coverage Ratio (Continued)**

Prior Period 31 December 2022	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High quality liquid assets	-	-	35.399.664	20.894.954
<b>CASH OUTFLOWS</b>				
Real person deposits and retail deposits	54.779.081	30.878.410	5.491.139	3.199.219
Stable deposit	5.247.141	-	262.357	-
Deposit with low stability	49.531.940	30.878.410	5.228.782	3.199.219
Unsecured debts except real person deposits and retail deposits	77.363.285	31.097.487	36.300.319	13.932.045
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	77.363.285	31.097.487	36.300.319	13.932.045
Secured debts	-	-	-	-
Other cash outflows	47.951.276	26.986.674	7.527.606	6.128.931
Derivative liabilities and margin obligations	5.782.112	4.479.030	4.828.082	4.479.030
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	1.738.426	1.829.199	677.987	615.979
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	40.430.738	20.678.445	2.021.537	1.033.922
<b>TOTAL CASH OUTFLOW</b>	<b>180.093.642</b>	<b>88.962.571</b>	<b>49.319.064</b>	<b>23.260.195</b>
<b>CASH INFLOWS</b>				
Secured receivables	-	-	-	-
Unsecured claims	25.309.625	14.469.279	17.867.325	12.302.886
Other cash inflows	4.893.249	2.500.647	4.893.249	2.500.647
<b>TOTAL CASH INFLOWS</b>	<b>30.202.874</b>	<b>16.969.926</b>	<b>22.760.574</b>	<b>14.803.533</b>
	<b>Upper Limit Applied Values</b>			
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	-	-	<b>35.399.664</b>	<b>20.894.954</b>
<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>26.558.490</b>	<b>8.456.663</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>133</b>	<b>247</b>

(\*) 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 OF 30 JUNE 2023

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

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

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

##### 2) 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 30.June 2023</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Türkiye	13.885.326	25.953.495	-	-	-	-	-	39.838.821
Banks	7.652.855	7.086.553	-	-	-	-	-	14.739.408
Financial Assets at Fair Value Through Profit and Loss	-	-	-	1.872.980	1.224.260	-	-	3.097.240
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	2.209.469	-	1.889.639	13.110.011	1.828.613	52.341	19.090.073
Loans Given (***)	-	21.505.868	28.340.769	75.377.647	70.250.561	17.464.808	217.654	213.157.307
Financial Assets Measured at Amortised Cost	-	-	-	2.855.161	5.393.504	3.588.695	-	11.837.360
Other Assets	-	-	-	-	-	-	4.057.893	4.057.893
<b>Total Assets<sup>(*)</sup></b>	<b>21.538.181</b>	<b>56.755.385</b>	<b>28.340.769</b>	<b>81.995.427</b>	<b>89.978.336</b>	<b>22.882.116</b>	<b>4.327.888</b>	<b>305.818.102</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.206.233	684.735	1.189.300	-	-	-	-	6.080.268
Current and Participation Accounts	41.362.100	126.363.276	58.277.480	24.465.752	132.709	-	-	250.601.317
Funds Provided from Other Financial Instruments	-	1.944.536	306.859	2.717.622	1.521.096	244.809	-	6.734.922
Money Market Borrowings	-	10.639.539	-	-	-	-	-	10.639.539
Issued Marketable Securities <sup>(***)</sup>	-	1.638.240	1.974.725	59	-	-	-	3.613.024
Miscellaneous Debts	-	-	-	-	-	-	2.812.128	2.812.128
Other Liabilities	-	-	-	-	-	1.341.480	23.995.424	25.336.904
<b>Total Liabilities</b>	<b>45.568.333</b>	<b>141.270.326</b>	<b>61.748.364</b>	<b>27.183.433</b>	<b>1.653.805</b>	<b>1.586.289</b>	<b>26.807.552</b>	<b>305.818.102</b>
<b>Liquidity Gap</b>	<b>(24.030.152)</b>	<b>(84.514.941)</b>	<b>(33.407.595)</b>	<b>54.811.994</b>	<b>88.324.531</b>	<b>21.295.827</b>	<b>(22.479.664)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>25.886</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25.886</b>
Receivables From Derivative Financial Instruments	-	2.070.354	-	-	-	-	-	2.070.354
Financial Derivative Liabilities	-	2.044.468	-	-	-	-	-	2.044.468
<b>Non-Cash Loans</b>	<b>11.867.883</b>	<b>3.928.891</b>	<b>7.021.772</b>	<b>23.011.522</b>	<b>13.550.449</b>	<b>2.914.448</b>	<b>-</b>	<b>62.294.965</b>

(\*) The expected loss provisions for financial assets and other assets are reflected in the related items.

(\*\*) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

(\*\*\*\*) Includes receivables from lease transactions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
<b>Prior Period 31 December 2022</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Türkiye	10.739.314	14.214.562	-	-	-	-	-	24.953.876
Banks	10.393.954	2.856.612	-	-	-	-	-	13.250.566
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	2.133.604	-	-	2.133.604
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	4.781	266.243	3.081.833	13.146.001	2.272.531	52.341	18.823.730
Loans Given	-	11.892.416	22.170.993	48.174.367	47.655.682	14.684.515	280.295	144.858.268
Financial Assets Measured at Amortised Cost	-	-	-	-	2.037.537	3.286.406	-	5.323.943
Other Assets	-	-	-	-	-	-	3.012.936	3.012.936
<b>Total Assets(*)</b>	<b>21.133.268</b>	<b>28.968.371</b>	<b>22.437.236</b>	<b>51.256.200</b>	<b>64.972.824</b>	<b>20.243.452</b>	<b>3.345.572</b>	<b>212.356.923</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.139.193	654.156	-	-	-	-	-	4.793.349
Current and Participation Accounts	34.372.256	76.477.299	46.038.191	11.347.111	110.892	-	-	168.345.749
Funds Provided from Other Financial Instruments	-	1.185.619	310.605	1.519.934	1.507.811	-	-	4.523.969
Money Market Borrowings	-	7.555.999	-	-	-	-	-	7.555.999
Issued Marketable Securities(***)	-	1.643.087	2.686.137	65.017	-	-	-	4.394.241
Miscellaneous Debts	-	-	-	-	-	-	2.059.991	2.059.991
Other Liabilities	-	-	-	-	-	1.341.748	19.341.877	20.683.625
<b>Total Liabilities</b>	<b>38.511.449</b>	<b>87.516.160</b>	<b>49.034.933</b>	<b>12.932.062</b>	<b>1.618.703</b>	<b>1.341.748</b>	<b>21.401.868</b>	<b>212.356.923</b>
<b>Liquidity Gap</b>	<b>(17.378.181)</b>	<b>(58.547.789)</b>	<b>(26.597.697)</b>	<b>38.324.138</b>	<b>63.354.121</b>	<b>18.901.704</b>	<b>(18.056.296)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(40.199)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40.199)</b>
Receivables From Derivative Financial Instruments	-	7.852.449	-	-	-	-	-	7.852.449
Financial Derivative Liabilities	-	7.892.648	-	-	-	-	-	7.892.648
<b>Non-Cash Loans</b>	<b>7.551.694</b>	<b>3.602.090</b>	<b>4.642.768</b>	<b>18.453.750</b>	<b>9.017.797</b>	<b>1.923.383</b>	<b>-</b>	<b>45.191.482</b>

(\*) The expected loss provisions for financial assets and other assets are reflected in the related items.

(\*\*) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

(\*\*\*\*) Includes receivables from lease transactions.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

##### V. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 30 June, 2023, the leverage ratio of the Bank calculated from quarterly average amounts is 5,19% (31 December 2022: 5,39%). The relevant rate is above the minimum rate specified in accordance with the "Regulation on the Measurement and Evaluation of the Leverage Level of Banks". The reason for the change between the leverage ratio in the current period and the previous period is that the average total risk amount increase rate is higher than the increase rate in the average Tier 1 capital. The regulation stipulates the minimum leverage ratio as 3%.

The leverage ratio public disclosure template is as follows:

	Current Period <sup>(*)</sup> 30 June 2023	Prior Period <sup>(*)</sup> 31 December 2022
<b>Balance sheet assets</b>		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	277.912.242	201.004.100
(Assets deducted from main capital)	(1.489.100)	(665.966)
Total risk amount of the balance sheet assets	276.423.142	200.338.134
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	19.062	9.749
Potential credit risk amount of derivative financial instruments and credit derivatives	36.929	63.445
Total risk amount of derivative financial instruments and credit derivative	55.991	73.194
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	10.040.373	6.714.510
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	10.040.373	6.714.510
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	61.386.286	45.415.562
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	61.386.286	45.415.562
<b>Equity and total risk</b>		
Main capital	17.978.880	13.603.083
Total risk amount	347.928.189	252.541.401
<b>Leverage ratio</b>		
Leverage ratio %	5,19	5,39

(\*) 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 30 June 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based ("IRB") have not been presented.

Within the scope of risk management, there are many risks that affect the Bank's financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of the Bank and is aimed to respond to customers' financial needs in the most appropriate way and to support their financial success. In this context, business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyses, where all risks are analyzed in detail, are reported to the Audit Committee.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in the Bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

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

##### Overview of Risk-weighted Assets

		Risk Weighted Amount		Minimum capital Requirement
		Current Period 30 June 2023	Prior Period 31 December 2022	Current Period 30 June 2023
1	Credit risk (excluding counterparty credit risk) (CCR)	129.508.784	97.500.193	10.360.703
2	Standardized approach (SA)	129.508.784	97.500.193	10.360.703
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	82.480	108.268	6.598
5	Standardized approach for counterparty credit risk (SA-CCR)	82.480	108.268	6.598
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula pproach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	1.428.417	918.455	114.273
17	Standardized approach (SA)	1.428.417	918.455	114.273
18	Internal model approaches (IMM)	-	-	-
19	Operational risk (*)	8.424.411	3.633.740	673.953
20	Basic Indicator approach	8.424.411	3.633.740	673.953
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>139.444.092</b>	<b>102.160.656</b>	<b>11.155.527</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)****VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)****2. Explanations on Credit Risk****2.1) Credit Risk Disclosures****a) Credit quality of assets**

		The amount valued in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/ Amortisation and impairments	Net values (a+b-c)
		Defaulted	Non-defaulted		
<b>Current Period 30 June 2023</b>					
1	Loans (*)	1.984.201	214.532.207	3.359.101	213.157.307
2	Debt securities	-	34.213.737	189.063	34.024.674
	Off-balance sheet explosures	-	65.944.871	20.500	65.924.371
4	<b>Total</b>	<b>1.984.201</b>	<b>314.690.815</b>	<b>3.568.664</b>	<b>313.106.352</b>

(\*) Financial lease amounting to TRY 43.608.804 is included in the table.

		The amount valued in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/ Amortisation and impairments	Net values (a+b-c)
		Defaulted	Non-defaulted		
<b>Prior Period 31 December 2022</b>					
1	Loans (*)	1.875.741	145.699.564	2.717.036	144.858.269
2	Debt securities	-	26.415.572	134.295	26.281.277
	Off-balance sheet explosures	-	47.301.309	23.253	47.278.056
4	<b>Total</b>	<b>1.875.741</b>	<b>219.416.445</b>	<b>2.874.584</b>	<b>218.417.602</b>

(\*) Financial lease amounting to TRY 21.235.324 is included in the table.

**b) Changes on defaulted loans and debt securities**

<b>Current Period 30 June 2023</b>		
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.875.741</b>
2	Loans and debt securities that have defaulted since the last reporting period	190.499
3	Returned to non-defaulted status	43.096
4	Amounts written off	-
5	Other changes *	(125.135)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions</b>	<b>1.984.201</b>

<b>Prior Period 31 December 2022</b>		
1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	<b>1.698.976</b>
2	Loans and debt securities that have defaulted since the last reporting period	621.007
3	Returned to non-defaulted status	45.171
4	Amounts written off	19.016
5	Other changes *	(399.071)
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions</b>	<b>1.875.741</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 2. Explanations on Credit Risk (Continued)

##### 2.1) Credit Risk Disclosures

##### c.) Aging analysis for overdue receivables:

Current Period 30 June 2023	Up to 1 Month	1-2 Month	2-3 Month	3+ Month	Total
Loans and Receivables <sup>(1)</sup>					
Corporate /Entrepreneurial Loans	267.421	238.018	779.559	286.874	1.571.872
Personal Credit	137.210	17.134	3.532	1.862	159.738
<b>Total</b>	<b>404.631</b>	<b>255.152</b>	<b>783.091</b>	<b>288.736</b>	<b>1.731.610</b>

(\*) The Bank's loan amounting to TRY 1.510.586 is under close monitoring.

Prior Period 31 December 2022	Up to 1 Month	1-2 Month	2-3 Month	3+ Month	Total
Loans and Receivables <sup>(1)</sup>					
Corporate/ Entrepreneurial Loans	165.929	19.596	488.005	140.860	814.390
Personal Credit	79.287	16.686	3.208	238	99.419
<b>Total</b>	<b>245.216</b>	<b>36.282</b>	<b>491.213</b>	<b>141.098</b>	<b>913.809</b>

(\*) The Bank's loan amounting to TRY 1.472.544 which is under close monitoring, has no delay.

##### 2.2) Credit risk mitigation

##### a.) Credit risk mitigation techniques – Overview

Current Period 30 June 2023	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	163.832.827	27.648.129	14.216.504	1.744.086	921.163	-	-
Debt Securities *	31.010.481	-	-	-	-	-	-
<b>Total</b>	<b>194.843.308</b>	<b>27.648.129</b>	<b>14.216.504</b>	<b>1.744.086</b>	<b>921.163</b>	<b>-</b>	<b>-</b>
Of which defaulted *	1.905.823	-	-	-	-	-	-

(\*) Based on the article titled "Amendments Regarding the Calculation of Capital Adequacy" dated 31.01.2023 by the BRSA, it has been decided to continue calculating the Credit Risk Subject Amount by using the Central Bank's foreign exchange buying rate of 31 December 2022 until a Board Decision to the contrary is taken. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TRY 21.676.351 Thousand in "Loans", TRY 3.014.195 Thousand in "Borrowing Instruments" and TRY 78.378 Thousand in the "Defaulted" category.

Prior Period 31 December 2022	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	121.871.510	10.188.687	5.123.813	1.920.658	1.285.374	-	-
Debt Securities *	24.356.878	-	-	-	-	-	-
<b>Total</b>	<b>146.228.388</b>	<b>10.188.687</b>	<b>5.123.813</b>	<b>1.920.658</b>	<b>1.285.374</b>	<b>-</b>	<b>-</b>
Of which defaulted *	1.790.512	-	-	-	-	-	-

(\*) Based on the BRSA's article on "Pandemic Measures Time Extension" dated 28.04.2022, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was used in the calculation of the Credit Risk Subject Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TRY 12.798.072 Thousand in "Loans", TRY 1.924.399 Thousand in "Borrowing Instruments" and TRY 85.229 Thousand in the "Defaulted" category.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

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

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

**2) Credit Risk Disclosures (Continued)**

**2.3) Credit risk if standard approach is used**

**a) Qualitative explanations to be made about the rating grades used by banks when calculating the credit risk with the standard approach**

The Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises. In the Risk Class Receivables from Banks, Fitch Ratings are used for Receivables from Banks located abroad, and no rating agency rating is used for the receivables from domestic banks. Our Country rating used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, while the ratings used in the Receivables from Banks and Intermediary Institutions risk class are all from 1 to 6. matched with credit quality levels.

**b) Standard Approach - Loan risk exposure and the effects of loan risk reduction technique**

	Current Period 30 June 2023	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance Sheet amount	Off-balance Sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
1	Exposures to sovereigns and their central banks	52,772,586	-	53,693,747	2,403	-	0%
2	Exposures to regional and local governments	-	-	-	-	-	0%
3	Exposures to administrative bodies and non-commercial entities	683,342	237,400	683,342	118,468	734,153	92%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	11,834,324	411,677	11,834,325	369,018	2,501,263	20%
7	Exposures to corporates	78,738,556	42,146,492	78,332,814	25,456,608	93,712,648	91%
8	Retail exposures	20,647,411	12,105,970	20,131,722	5,599,785	15,538,276	60%
9	Exposures secured by residential property	5,669,509	170,691	5,669,508	87,534	2,014,965	35%
10	Exposures secured by commercial property	5,456,860	1,719,073	5,456,860	938,318	3,197,589	50%
11	Past-due items	150,535	-	150,535	-	94,781	63%
12	Exposures in high-risk categories	4,686,569	9,349	4,686,569	4,675	9,892,062	211%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	3,972,074	-	3,972,074	-	1,823,047	46%
17	Equity share investments	-	-	-	-	-	0%
18	<b>Total</b>	<b>184,611,566</b>	<b>56,800,652</b>	<b>184,611,566</b>	<b>32,576,809</b>	<b>129,508,784</b>	<b>60%</b>

	Prior Period 31 December 2022	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance Sheet amount	Off-balance Sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
1	Exposures to sovereigns and their central banks	39,418,258	-	40,703,630	5,330	-	0%
2	Exposures to regional and local governments	-	-	-	-	-	0%
3	Exposures to administrative bodies and non-commercial entities	506,093	39,777	334,150	19,740	349,156	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	9,897,952	834,557	9,897,952	816,668	2,680,534	25%
7	Exposures to corporates	52,981,620	32,395,335	52,364,759	20,065,010	68,080,070	94%
8	Retail exposures	10,603,931	6,593,559	9,935,418	3,062,090	8,850,408	68%
9	Exposures secured by residential property	5,321,207	121,913	5,321,206	57,074	1,882,398	35%
10	Exposures secured by commercial property	4,637,553	979,974	4,637,553	575,242	2,606,397	50%
11	Past-due items	209,537	-	209,537	-	121,651	58%
12	Exposures in high-risk categories	5,891,027	6,665	5,891,027	3,332	11,637,568	197%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	2,953,113	-	2,163,774	-	1,292,011	60%
17	Equity share investments	-	-	-	-	-	0%
18	<b>Total</b>	<b>132,420,290</b>	<b>40,971,780</b>	<b>131,459,006</b>	<b>24,604,486</b>	<b>97,500,193</b>	<b>62%</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 2) Credit Risk Disclosures (Continued)

##### 2.3) Credit risk if standard approach is used (Continued)

##### c) Standard approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/ Risk Weight 30 June 2023	0%	10%	20%	35% Secured by Property Mortgage	50% Secured by Property Mortgage	50% <sup>(*)</sup>	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	53.696.150	-	-	-	-	-	-	-	-	-	-	53.696.150
Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non- commercial entities	67.613	-	55	-	-	-	-	734.142	-	-	-	801.810
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	12.021.777	-	-	169.316	-	12.250	-	-	-	12.203.343
Exposures to corporates	8.998.380	-	1.347.991	-	-	-	-	93.443.050	-	-	-	103.789.422
Retail exposures	4.864.921	-	239.833	-	-	-	20.546.056	80.767	-	-	-	25.731.577
Exposures secured by residential property	-	-	-	5.757.042	-	-	-	-	-	-	-	5.757.042
Exposures secured by commercial property	-	-	-	-	6.395.178	-	-	-	-	-	-	6.395.178
Past-due items	-	-	-	-	-	111.508	-	39.027	-	-	-	150.535
Exposures in high-risk categories	-	-	-	-	-	-	-	-	451.588	3.994.533	245.123	4.691.244
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	2.149.027	-	-	-	-	-	-	1.823.047	-	-	-	3.972.074
<b>Total</b>	<b>69.776.091</b>	<b>-</b>	<b>13.609.657</b>	<b>5.757.042</b>	<b>6.395.178</b>	<b>280.824</b>	<b>20.546.056</b>	<b>96.132.283</b>	<b>451.588</b>	<b>3.994.533</b>	<b>245.123</b>	<b>217.188.375</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 2) Credit Risk Disclosures (Continued)

##### 2.3) Credit risk if standard approach is used (Continued)

##### c) Standard approach: Receivables related with risk classes and risk weights

Prior Period Risk Classes/ Risk Weight 31 December 2022	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	40.708.960	-	-	-	-	-	-	-	-	-	40.708.960
Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non- commercial entities	4.708	-	33	-	-	-	349.149	-	-	-	353.890
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	10.006.939	-	57.068	-	650.613	-	-	-	10.714.620
Exposures to corporates	3.777.737	-	714.953	-	-	-	67.937.079	-	-	-	72.429.769
Retail exposures	1.067.643	-	183.444	-	-	11.730.807	15.614	-	-	-	12.997.508
Exposures secured by residential property	-	-	-	5.378.280	-	-	-	-	-	-	5.378.280
Exposures secured by commercial property	-	-	-	-	5.212.795	-	-	-	-	-	5.212.795
Past-due items	59	-	-	-	175.654	-	33.824	-	-	-	209.537
Exposures in high-risk categories	-	-	-	-	-	-	-	324.150	5.566.567	3.642	5.894.359
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-
Other exposures	871.142	-	776	-	-	-	1.291.856	-	-	-	2.163.774
<b>Total</b>	<b>46.430.249</b>	<b>-</b>	<b>10.906.145</b>	<b>5.378.280</b>	<b>5.445.517</b>	<b>11.730.807</b>	<b>70.278.135</b>	<b>324.150</b>	<b>5.566.567</b>	<b>3.642</b>	<b>156.063.492</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

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

**VIII. EXPLANATIONS ON RISK PROTECTION PROCEDURES**

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations. Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite. In addition, derivative transactions are carried out at the Bank and FC and TRY liquidity risk is limited by the transactions performed.

**IX. COUNTER PARTY CREDIT RISK EXPLANATIONS**

**a) Qualitative explanations on counter party credit risk**

In an attempt to identify the counter party credit risk that the Parent Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

As part of the Parent Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

It is essential that the Parent Bank manages the counter party credit risk level in a manner that keeps it above the minimum limits specified in the legal regulations.

Parent Bank risk measurement system; it takes measures to operate in a reliable and integrity manner compatible with legal regulations, fields of activity and product types, and to maintain it accordingly. In this context, as a minimum, for counter party credit risk measurement and monitoring activities; calculation of counter party credit risk weighted asset amount and legal capital requirement, and monitoring of the Bank's compliance level with regard to allocated limits are carried out

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### X. COUNTER PARTY CREDIT RISK EXPLANATIONS

##### b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Current Period 30 June 2023	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) <sup>(*)</sup>	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	23.055	13.089		1,4	50.601	14.917
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					15.549.370	39.604
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>54.521</b>

<sup>(\*)</sup> Effective expected positive exposure

	Prior Period 31 December 2022	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) <sup>(*)</sup>	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	14.277	43.901		1,4	81.448	37.568
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					14.928.992	25.253
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>62.821</b>

<sup>(\*)</sup> Effective expected positive exposure

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### IX. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

##### c) Capital requirement for loan valuation adjustment

	Current Period 30 June 2023	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	50.601	27.950
4	Total subject to the CVA capital charge	50.601	27.950

	Current Period 31 December 2022	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	81.448	45.438
4	Total subject to the CVA capital charge	81.448	45.438

##### d) Standardized approach - CCR exposures by risk class and risk weight

Risk weight /Regulatory portfolio (Current Period)	0%	10%	20%	50%	%75%	100%	150%	Other	Total credit exposure <sup>(*)</sup>
Exposures to sovereigns and their central banks	15.506.093	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non- commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	44.605	-	-	5.995	-	-	14.916
Exposures to corporates	-	-	4.591	-	-	38.686	-	-	39.604
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high- risk categories	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	<b>15.506.093</b>	<b>-</b>	<b>49.196</b>	<b>-</b>	<b>-</b>	<b>44.681</b>	<b>-</b>	<b>-</b>	<b>54.520</b>

<sup>(\*)</sup> Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### IX. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

##### d) Standardized approach - CCR exposures by risk class and risk weight (Continued)

Risk weight /Regulatory portfolio (Prior Period)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure <sup>(*)</sup>
Exposures to sovereigns and their central banks	14.903.739	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	54.849	-	-	26.599	-	-	37.569
Exposures to corporates	-	-	-	-	-	25.252	-	-	25.252
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	<b>14.903.739</b>	<b>-</b>	<b>54.849</b>	<b>-</b>	<b>-</b>	<b>51.851</b>	<b>-</b>	<b>-</b>	<b>62.821</b>

<sup>(\*)</sup> Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

##### e) Counterparty credit risk (IDD) by risk class and PD

None.

##### f) Collaterals for CCR

Current Period 30 June 2023	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	15.549.370
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15.549.370</b>

Prior Period 31 December 2022	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	14.928.992
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.928.992</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### IX. COUNTERPARTY CREDIT RISK EXPLALANATIONS (Continued)

##### g) Credit Derivatives

None.

##### h) Risk Weight changes under CCR on the Internal Modeling Management Methods

None.

##### i) Risks related with Central Counter parties

		Exposure at default (post- CRM)	RWA
1	<b>Exposure to Qualified Central Counterparties (QCCPs)</b>	<b>498</b>	<b>10</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	498	10
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>	<b>-</b>	<b>-</b>
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

#### 5. Explanations on Securitization Disclosure

None (31 December 2022: None).

#### 6. Explanations on Market Risk

##### a) Qualitative information about market risk to be disclosed to the public

Within the framework of BRSA's regulations, the Parent Bank ensures effective management of market risk and market concentration risk arising from market risk components, in accordance with the volume, nature and complexity of its activities, taking into account the best practices

The Parent Bank ensures that measurement, monitoring, limitation, stress test and scenario analysis studies are carried out in accordance with the structure and complexity of its positions regarding market risk management and the results are reported. It is essential that new products and services are evaluated in terms of market risk.

In this context, as a minimum;

- Follow-up of the Parent Bank's accounts and positions subject to market risk and market developments affecting the value of these accounts and positions on a minimum daily basis,
- Amount calculations based on market risk to which the Bank is exposed within the framework of trading accounts,
- Analysis of the effects of up and down normal and extraordinary movements in the markets on the Bank's accounts and positions subject to market risk,
- Back-test analysis of internal models used for monitoring purposes in calculating the amount subject to market risk,
- Regarding market risk, risk limits are regularly calculates and followed up.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)****IX. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)****6. Explanations on Market Risk (Continued)****a) Qualitative information to be disclosed to the public regarding market risk (Continued)**

In the Parent Bank, the Board of Directors, Audit Committee and the General Manager fulfill their duties, powers and responsibilities within the scope of market risk management within the framework defined in the legislation. All Units, including the Units within the Scope of Internal Systems, fulfill their duties, powers and responsibilities within the scope of market risk management within the framework of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and their own Regulations.

In order to reveal the market risk that the Parent Bank may encounter, it is essential to carry out risk measurement and monitoring activities and to consider the results in the strategic decision-making process of the Bank.

Within the framework of these principles, at least the following analyzes are made for measurement and monitoring activities.

As a minimum within the scope of Market Risk:

- Standard Method: It is made in accordance with the Market Risk Reporting Set statements published by the BRSA.
- Value at Risk Analysis: Historical Simulation is performed using Parametric, Exponentially Weighted Moving Average (EWMA) or a different method deemed appropriate by the Bank.
- Internal Capital Requirement: Parameters determined by the BRSA and / or the Bank that may affect the financial strength of the Bank and the level of capital that will meet the risks the Bank is or may be exposed to, with stress tests and / or scenario analysis related to these parameters, a future perspective It is calculated using appropriate methods

**b) Standard Approach**

		<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
		<b>RWA</b>	<b>RWA</b>
<b>Outright products</b>			
1	Profit share rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	1.190.157	786.420
4	Commodity risk	238.259	132.035
<b>Options</b>			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	<b>Total</b>	<b>1.428.416</b>	<b>918.455</b>

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the "Communiqué on the Public Disclosures on Risk Management by Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 30 June 2023, as the standard approach is used in the Bank's market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach

Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach

Internal model approach for trading account

Comparison of VaR (Value at Risk) estimates with profit / loss

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### X. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

The Bank operates in retail, corporate / entrepreneurial banking, treasury / investment banking.

#### Table for Segment Reporting

Prior Period 1 January – 30 June 2023	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
Profit Shares Income	755.204	11.278.233	2.787.767	34.256	14.855.460
Profit Shares Expense	(3.088.923)	(7.766.369)	(1.434.637)	(43.580)	(12.333.509)
Net Profit Shares Income/Expense	(2.333.719)	3.511.864	1.353.130	(9.324)	2.521.951
Net Fees and Commission Income/Expense	94.625	211.539	-	275.064	581.228
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	1.116.557	-	1.116.557
Other Operating Income	-	1.521.427	-	6.590	1.528.017
Provision for Expected Losses	(80.977)	(1.341.103)	-	(204.542)	(1.626.622)
Other Operating Expense	-	(63.734)	-	(2.693.903)	(2.757.637)
Net Operating Profit/Loss	(2.320.071)	3.839.993	2.469.687	(2.626.115)	1.363.494
Tax Provision	-	-	-	(204.900)	(204.900)
Net Profit/Loss	(2.320.071)	3.839.993	2.469.687	(2.831.015)	1.158.594
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L Banks <sup>(*)</sup>	-	-	3.097.240	-	3.097.240
Financial Assets Measured at Fair Value Through Other Comprehensive Income Loans <sup>(*)(**)</sup>	12.071.604	199.925.359	1.160.344	-	213.157.307
Financial Assets Measured at Amortised Cost	-	-	11.837.360	-	11.837.360
Derivative Financial Assets	-	-	24.412	-	24.412
Partnership Investment	-	-	24.000	-	24.000
Other Assets <sup>(*)</sup>	-	-	-	43.846.899	43.846.899
<b>Total Segment Assets</b>	<b>12.071.604</b>	<b>199.925.359</b>	<b>49.974.240</b>	<b>43.846.899</b>	<b>305.818.102</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	100.456.604	156.224.981	-	-	256.681.585
Derivative Financial Liabilities	-	-	1.859	-	1.859
Funds Borrowed	-	-	6.734.922	-	6.734.922
Money Market Funds	-	-	10.639.539	-	10.639.539
Securities Issued (Net)	-	-	3.613.024	-	3.613.024
Provisions	-	-	-	2.051.526	2.051.526
Other Liabilities	-	-	-	10.382.957	10.382.957
Shareholders' Equity	-	-	-	15.712.690	15.712.690
<b>Total Segment Liabilities</b>	<b>100.456.604</b>	<b>156.224.981</b>	<b>20.989.344</b>	<b>28.147.173</b>	<b>305.818.102</b>

(\*) Includes expected loss provisions.

(\*\*) Includes lease receivables

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### X. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

##### Table of business segmentation

Prior Period 1 January – 30 June 2022	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
Profit Shares Income	399.252	5.247.171	2.926.800	14.119	8.587.342
Profit Shares Expense	(1.281.031)	(2.139.430)	(950.230)	(31.030)	(4.401.721)
Net Profit Shares Income/Expense	(881.779)	3.107.741	1.976.570	(16.911)	4.185.621
Net Fees and Commission Income/Expense	40.148	129.451	-	(26.399)	143.200
Dividend Income	-	-	774	-	774
Trading Income/Loss (Net)	-	-	43.417	-	43.417
Other Operating Income	-	475.355	-	6.596	481.951
Provision for Expected Losses	(53.227)	(657.510)	-	(109.281)	(820.018)
Other Operating Expense	-	(11.352)	-	(1.051.459)	(1.062.811)
Net Operating Profit/Loss	(894.858)	3.043.685	2.020.761	(1.197.454)	2.972.134
Tax Provision	-	-	-	(860.553)	(860.553)
Net Profit/Loss	(894.858)	3.043.685	2.020.761	(2.058.007)	2.111.581
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L Banks <sup>(*)</sup>	-	-	2.133.604	-	2.133.604
Financial Assets Measured at Fair Value Through Other Comprehensive Income Loans <sup>(*)</sup> (**)	-	-	13.251.320	-	13.251.320
Financial Assets Measured at Amortised Cost	-	-	18.823.730	-	18.823.730
Derivative Financial Assets	9.316.981	135.071.172	470.115	-	144.858.268
Partnership Investment	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	27.951.587	27.951.587
<b>Total Segment Assets</b>	<b>9.316.981</b>	<b>135.071.172</b>	<b>40.017.183</b>	<b>27.951.587</b>	<b>212.356.923</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	72.592.476	100.546.622	-	-	173.139.098
Derivative Financial Liabilities	-	-	62.998	-	62.998
Funds Borrowed	-	-	4.523.969	-	4.523.969
Money Market Funds	-	-	7.555.999	-	7.555.999
Securities Issued (Net)	-	-	4.394.241	-	4.394.241
Provisions	-	-	-	2.166.009	2.166.009
Other Liabilities	-	-	-	9.136.164	9.136.164
Shareholders' Equity	-	-	-	11.378.445	11.378.445
<b>Total Segment Liabilities</b>	<b>72.592.476</b>	<b>100.546.622</b>	<b>16.537.207</b>	<b>22.680.618</b>	<b>212.356.923</b>

(\*) Includes expected loss provisions

(\*\*) Includes lease receivables.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### 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 Türkiye:

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	110.656	1.933.573	121.498	827.299
Central Bank of the Republic of Türkiye (*)	5.547.061	31.513.555	6.189.305	17.634.063
Other	-	749.964	-	202.080
<b>Total</b>	<b>5.657.717</b>	<b>34.197.092</b>	<b>6.310.803</b>	<b>18.663.442</b>

(\*) According to the letter of BRSA dated 3 January 2008, it includes the average TRY required reserve balance.

###### 1.a.1) Information on Required Reserves:

According to the CBRT's "Communiqué No 2013/15 on Required Reserves", the Parent Bank maintains required reserves at the CBRT for its Turkish and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the CBRT.

Banks establish required reserves at the Central Bank of the Republic of Türkiye for their Turkish Lira and foreign currency liabilities specified in the aforementioned communiqué. Establishment of required reserves begins on Friday, two weeks after the liability calculation date, and lasts for 14 days. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the Central Bank of the Republic of Türkiye. Required reserve ratios vary according to the maturity structure of the liabilities and are applied between 3% and 8% for Turkish Lira deposits and other liabilities, and between 5% and 26% for foreign currency deposits and other liabilities.

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, the conversion rate from foreign currency deposit accounts in US dollars, Euros and British Pounds and participation fund accounts in foreign currency to time deposits and participation funds in Turkish lira as of the obligation date of 2/9/2022 It has been decided not to apply an annual commission of 5% to the banks that have reached the 5% level and the 50% level as of the 2/9/2022 obligation date, up to the amount to be kept for their liabilities until the end of 2022

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

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	5.547.061	31.513.555	6.189.305	17.634.063
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
<b>Total</b>	<b>5.547.061</b>	<b>31.513.555</b>	<b>6.189.305</b>	<b>17.634.063</b>

(\*) TRY, FC and Gold required reserves established in accordance with the "Communiqué on Required Reserves" are included in the amounts in the table.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Banks				
Domestic Banks	4.961.786	5.207.160	134.657	10.334.683
Foreign Banks	-	4.571.865	-	2.781.980
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>4.961.786</b>	<b>9.779.025</b>	<b>134.657</b>	<b>13.116.663</b>

##### 3. Financial assets at fair value through profit or loss

	Current Period 30 June 2023	Prior Period 31 December 2022
Financial Assets at Fair Value Through Profit / Loss	3.079.830	2.121.486
Other Dividends and Income Rediscounts	17.410	12.118
Provision for Impairment (-)	-	-
<b>Total</b>	<b>3.097.240</b>	<b>2.133.604</b>

#### 4. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements

	Current Period 30 June 2023	Prior Period 31 December 2022
Assets Subject to Repurchase Agreements	9.188.266	5.876.865
Assets Blocked/Given as Collateral	563.819	5.640.357
<b>Total (*)</b>	<b>9.752.085</b>	<b>11.517.222</b>

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

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Debt Securities	19.226.796	18.905.683
Quoted in Stock Exchange	19.226.796	18.905.683
Not Quoted in Stock Exchange	-	-
Share Certificates	52.341	52.341
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	52.341	52.341
Provision for Impairment (-)(**)	189.064	134.294
<b>Total</b>	<b>19.090.073</b>	<b>18.823.730</b>

(\*) The afore-mentioned amounts consist of TRY 3.581 , TRY 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2,86% and TRY 41.101 Export Development Inc. from amounts paid as capital commitments are shown in the line that is not traded in the stock exchange (31 December 2022: TRY 7.659 Credit Guarantee Fund, TRY 3.581 JCR Eurasia Rating A.Ş. and TRY 41.101 İhracatı Geliştirme A.Ş.)

(\*\*) Includes negative differences between the acquisition costs of financial assets and market prices

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

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

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Forward Transactions	-	-	-	-
Swap Transactions	23.055	-	14.218	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	1.301	56	111	142
<b>Total</b>	<b>24.356</b>	<b>56</b>	<b>14.329</b>	<b>142</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 30 June 2023		Prior Period 31 December 2022	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	3.330	-	2.374	-
Corporate Shareholders	3.330	-	2.374	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	202.860	-	101.173	-
<b>Total (*)</b>	<b>206.190</b>	<b>-</b>	<b>103.547</b>	<b>-</b>

(\*) Includes rediscount amounts.

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

Current Period 30 June 2023				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured or Rescheduled Loans with revised contract terms	Refinancing
<b>Cash Loans</b>				
Loans <sup>(*)</sup>	163.516.418	1.912.733	771.148	387.185
Export Loans	37.462.974	18.060	-	-
Import Loans	71.114	-	-	-
Commercial Loans	102.671.186	1.768.568	771.148	387.185
Consumer Loans	11.608.413	105.981	-	-
Credit Cards	209.620	1.116	-	-
Loans Given to Financial Sector	2.394.711	-	-	-
Other <sup>(**)</sup>	9.098.400	19.008	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	4.164.790	69.092	2.172	99.866
<b>Total</b>	<b>167.681.208</b>	<b>1.981.825</b>	<b>773.320</b>	<b>487.051</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

Prior Period 31 December 2022				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured or Rescheduled Loans with revised contract terms	Refinancing
<b>Cash Loans</b>				
Loans (*)	118.299.799	1.177.498	382.172	713.273
Export Loans	24.216.793	5.932	-	-
Import Loans	68.120	-	-	-
Commercial Loans	77.531.136	1.070.680	382.172	713.273
Consumer Loans	9.022.405	76.370	-	-
Credit Cards	103.556	301	-	-
Loans Given to Financial Sector	470.115	-	-	-
Other (**)	6.887.674	24.215	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	3.778.087	45.353	6.964	61.093
<b>Total</b>	<b>122.077.886</b>	<b>1.222.851</b>	<b>389.136</b>	<b>774.366</b>

(\*) Related amounts do not include financial lease receivables.

(\*\*) As of 30 June 2023, TRY 36.525 (31 December 2022: TRY 36.525) of the related balance consists of funds provided by the musharakah partnership financing method. As of 31 December 2022, the Bank has accounted for these fixed musharakah financing loans, which it carries in its statement of financial position, at historical cost in accordance with Interest-Free Finance Accounting Standard 4: Musharakah Financing “FFMS 4” Article 2/3/1..

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
<b>Expected Credit Loss of Stage 1 and Stage 2</b>				
12 Month Expected Credit Losses	1.051.374	-	683.003	-
Significant Increase in Credit Risk	-	541.181	-	438.587

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
<b>Number of extensions</b>				
1 or 2 Times Extended	705.594	1.158.333	619.977	1.095.445
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
<b>Total</b>	<b>705.594</b>	<b>1.158.333</b>	<b>619.977</b>	<b>1.095.445</b>

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
<b>Extension Periods</b>				
0 - 6 Months	-	172.500	10.092	183.452
6 Months – 12 Months	9.694	7.106	3.703	11.816
1 - 2 Years	221.030	819.234	196.105	729.732
2 - 5 Years	474.870	11.181	50.014	14.235
5 Years and Over	-	148.312	360.063	156.210
<b>Total</b>	<b>705.594</b>	<b>1.158.333</b>	<b>619.977</b>	<b>1.095.445</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### 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, personnel loans and personnel credit cards

Current Period 30 June 2023	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TRY</b>	<b>70.365</b>	<b>11.447.365</b>	<b>11.517.730</b>
Housing Loans	2.468	10.265.474	10.267.942
Vehicle Loans	9.893	835.322	845.215
Consumer Loans	58.004	346.569	404.573
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TRY</b>	<b>206.404</b>	<b>143</b>	<b>206.547</b>
With Installment	63.825	-	63.825
Without Installment	142.579	143	142.722
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TRY</b>	<b>24.346</b>	<b>172.318</b>	<b>196.664</b>
Housing Loans	-	19.753	19.753
Vehicle Loans	-	4.117	4.117
Consumer Loans	24.346	148.448	172.794
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>4.182</b>	<b>7</b>	<b>4.189</b>
With Installment	1.857	-	1.857
Without Installment	2.325	7	2.332
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TRY (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>305.297</b>	<b>11.619.833</b>	<b>11.925.130</b>

(\*) Dividend accrual amounting to TRY 146.474 is not included in the table.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### 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, personnel loans and personnel credit cards

Prior Period 31 December 2022	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TRY</b>	<b>29.231</b>	<b>8.971.697</b>	<b>9.000.928</b>
Housing Loans	4.682	7.945.631	7.950.313
Vehicle Loans	7.200	712.313	719.513
Consumer Loans	17.349	313.753	331.102
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TRY</b>	<b>101.677</b>	<b>42</b>	<b>101.719</b>
With Installment	25.743	14	25.757
Without Installment	75.934	28	75.962
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TRY</b>	<b>3.798</b>	<b>94.049</b>	<b>97.847</b>
Housing Loans	-	14.546	14.546
Vehicle Loans	-	3.128	3.128
Consumer Loans	3.798	76.375	80.173
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>2.131</b>	<b>7</b>	<b>2.138</b>
With Installment	701	-	701
Without Installment	1.430	7	1.437
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TRY (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>136.837</b>	<b>9.065.795</b>	<b>9.202.632</b>

(\*) Dividend accrual amounting to TRY 114.349 is not included in the table.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**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 installment commercial loans and corporate credit cards**

<b>Current Period 30 June 2023</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment Commercial Loans-TRY</b>	<b>1.099.023</b>	<b>777.556</b>	<b>1.876.579</b>
Business Loans	952	25.036	25.988
Vehicle Loans	1.098.071	752.520	1.850.591
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>881</b>	<b>80.025</b>	<b>80.906</b>
With Installment	-	-	-
Without Installment	881	80.025	80.906
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -TRY</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-TRY (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1.099.904</b>	<b>857.581</b>	<b>1.957.485</b>

<b>Prior Period 31 December 2022</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment Commercial Loans-TRY</b>	<b>1.262.469</b>	<b>1.102.386</b>	<b>2.364.855</b>
Business Loans	1.831	36.212	38.043
Vehicle Loans	1.260.638	1.066.174	2.326.812
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>1.132</b>	<b>59.218</b>	<b>60.350</b>
With Installment	-	-	-
Without Installment	1.132	59.218	60.350
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -TRY</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-TRY (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Toplam</b>	<b>1.263.601</b>	<b>1.161.604</b>	<b>2.425.205</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information relates to loans (Continued)****d) Loans according to types of borrower:**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
Domestic Loans	165.102.311	119.721.638
Foreign Loans	1.485.173	851.104
Profit Share Income Accruals and Rediscunts	4.335.920	3.891.497
<b>Total (*)</b>	<b>170.923.404</b>	<b>124.464.239</b>

(\*) Financial lease receivables and non-performing loans are not included.

**e) Loans granted to subsidiaries and participations**

As of 30 June 2023, the Bank has no loans granted to subsidiaries and participations (31 December 2022: None).

**f) Provision for default (Stage 3/Specific Provision)**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
Loans and receivables with limited collectability	5.532	6.432
Loans and receivables with doubtful collectability	27.747	94.372
Uncollectible loans and other receivables	1.733.268	1.494.642
<b>Total</b>	<b>1.766.547</b>	<b>1.595.446</b>

**g) Information on lease receivables****g.1) Analysis of investment made in financial leasing by remaining maturity**

	<b>Current Period 30 June 2023</b>		<b>Prior Period 31 December 2022</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	558.584	534.169	189.351	179.909
1-5 year	41.031.300	32.465.893	16.491.827	14.005.363
More than 5 years	12.550.612	10.608.742	8.160.207	7.050.052
<b>Total</b>	<b>54.140.496</b>	<b>43.608.804</b>	<b>24.841.385</b>	<b>21.235.324</b>

**g.2) Information on Net Investments Made in Financial Leasing**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
Gross Lease Receivable	54.140.496	24.841.385
Financial Income Unearned From Financial Leasing (-)	(10.531.692)	(3.606.061)
Cancelled Rental Amounts	-	-
<b>Total</b>	<b>43.608.804</b>	<b>21.235.324</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

##### h) Information on non-performing receivables (net)

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

As of 30 June 2023, the sum of the Bank's non-performing loans restructured or rescheduled for a new redemption plan and other receivables is TRY 155.492 (31 December 2022: TRY 167.624).

##### h.2) Information on the movement of total non-performing loans

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Current Period</b>			
<b>30 June 2023</b>			
<b>Ending balance of prior period</b>	<b>23.334</b>	<b>178.305</b>	<b>1.674.102</b>
Additions in the current period (+)	59.693	5.966	124.790
Transfers from other categories of non-performing loans (+)	-	52.074	155.690
Transfers to other categories of non-performing loans (-)	52.074	155.690	-
Collections in the current period (-)	9.712	4.208	68.069
Write offs (-) <sup>(*)</sup>	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>21.241</b>	<b>76.447</b>	<b>1.886.513</b>
Expected Loss Provision (Stage 3) (-)	5.532	27.747	1.733.268
<b>Net balance on balance sheet</b>	<b>15.709</b>	<b>48.700</b>	<b>153.245</b>

(\*) Includes transfers to first and second group loans amounting to TRY 43.096.

(\*\*) It is the amount that has been transferred from the financial statements in accordance with the transfer of receivables agreements while being monitored in the non-performing receivables accounts of the Bank.

	Group III:	Group IV:	Group V:-
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
<b>Prior Period</b>			
<b>31 December 2022</b>			
<b>Ending balance of prior period</b>	<b>41.467</b>	<b>391.196</b>	<b>1.266.313</b>
Additions in the current period (+)	283.521	26.482	311.004
Transfers from other categories of non-performing loans (+)	-	263.830	464.576
Transfers to other categories of non-performing loans (-)	263.830	464.576	-
Collections in the current period (-)	37.824	38.627	348.775
Write offs (-) <sup>(*)</sup>	-	-	19.016
Corporate and commercial loans	-	-	19.016
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>23.334</b>	<b>178.305</b>	<b>1.674.102</b>
Expected Loss Provision (Stage 3) (-)	6.432	94.372	1.494.642
<b>Net balance on balance sheet</b>	<b>16.902</b>	<b>83.933</b>	<b>179.460</b>

(\*) Includes transfers to first and second group loans amounting to TRY 45.171.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

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

	III. Grup Allocated for Loans with Limited Collection	IV. Grup Allocated for Doubtful Loans	V. Grup Allocated for Loss Loans
<b>Current Period</b> <b>30 June 2023</b>			
<b>Ending Balance</b>	-	-	285.188
Provision for Expected Loss (Stage 3) (-)	-	-	282.881
<b>Net Balance in the Balance Sheet</b>	-	-	<b>2.307</b>
<b>Prior Period</b> <b>31 December 2022</b>			
<b>Ending Balance</b>	-	-	316.515
Provision for Expected Loss (Stage 3) (-)	-	-	302.296
<b>Net Balance in the Balance Sheet</b>	-	-	<b>14.219</b>

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

	III. Grup: Loans and other receivables with limited collectability	IV. Grup: Loans and other receivables with doubtful collectability	V. Grup: Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>15.709</b>	<b>48.700</b>	<b>153.245</b>
Loans to Real Persons and Legal Entities (Gross)	21.241	76.447	1.886.513
Specific Provisions (-)	5.532	27.747	1.733.268
Loans to Real Persons and Legal Entities (Net)	15.709	48.700	153.245
<b>Banks (Gross)</b>	-	-	-
Specific Provisions (-)	-	-	-
<b>Banks (Gross)</b>	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>16.902</b>	<b>83.933</b>	<b>179.460</b>
Loans to Real Persons and Legal Entities (Gross)	23.334	178.305	1.674.102
Specific Provisions (-)	6.432	94.372	1.494.642
Loans to Real Persons and Legal Entities (Net)	16.902	83.933	179.460
<b>Banks (Gross)</b>	-	-	-
Specific Provisions (-)	-	-	-
<b>Banks (Net)</b>	-	-	-
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:

	III. Grup: Loans with limited collectability	IV. Grup: Loans with doubtful collectability	V. Grup: Uncollectible loans
<b>Current Period (Net)</b>	<b>972</b>	<b>6.798</b>	<b>22.909</b>
Profit Share Accrual and Valuation Differences Provision	1.300	10.651	267.128
Provision Amount (-)	328	3.853	244.219
<b>Prior Period (Net)</b>	<b>1.108</b>	<b>8.692</b>	<b>26.287</b>
Profit Share Accrual and Valuation Differences Provision	1.592	18.930	234.022
Provision Amount (-)	484	10.238	207.735

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### 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) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

###### k) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

##### 7. Financial assets at amortized cost

###### a) Information on government debt securities measured at amortized cost

	Current Period 30 June 2023	Prior Period 31 December 2022
Debt Securities	11.837.360	5.323.943
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	11.837.360	5.323.943
Provision of Impairment (-)	-	-
<b>Total</b>	<b>11.837.360</b>	<b>5.323.943</b>

###### b) Information on financial assets valued at amortized cost

None (31 December 2022 None).

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

As of 30 June 2023, the Group's government debt securities measured at amortized cost is TRY 11.837.360 (31 December 2022: TRY 5.323.943).

	Current Period 30 June 2023	Prior Period 31 December 2022
Balances at Beginning of Period	5.323.943	1.327.957
Foreign Currency Differences on Monetary Assets	581.359	264.482
Purchases during the Period (*)	5.932.058	3.731.504
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
<b>Balances at End of Period</b>	<b>11.837.360</b>	<b>5.323.943</b>

(\*) Rediscounts are shown in "Purchases during the Period" line.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

###### 8. Information on assets related to trading in investments and discontinued operations

As of 30 June 2023, the Group's assets held for sale are TRY 280.729 (31 December 2022: TRY 274.644).

	Current Period 30 June 2023	Prior Period 31 December 2022
Beginning Balance (Net)	274.644	307.881
Changes During the Period (Net)	6.085	(33.237)
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net) (*)	280.729	274.644

(\*) The Group has fiduciary rights over TRY 205.380 (31 December 2022: TRY 211.940) of assets held for sale

As of 30 June 2023, the Bank has no discontinued operations (31 December 2022: None)

###### 9. Equity Investments

###### a) Information about investments in associates (net)

###### a.1) Information on unconsolidated associates:

Katılım Finans Kefalet A.Ş. is not consolidated in the accompanying financial statements, since the Bank does not have qualified shares, does not have significant activity and is not a financial institution (31 December 2022: None).

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Katılım Finans Kefalet A.Ş.	İstanbul / TÜRKİYE	15	-

###### a.2) Information on consolidated associates:

The Bank has no consolidated associates as of the balance sheet date (31 December 2022: None).

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

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

Ziraat Katılım Varlık Kiralama A.Ş. ("Company"), with a capital of TRY 50 fully paid by Ziraat Katılım Bankası Anonim Şirketi, on 22 January 2016 with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, as per the Capital Markets Board ("CMB") dated 7 June 2013 and It was established to issue lease certificates exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette No. 28760.

ZKB Varlık Kiralama A.Ş. ("Company"), with its capital of TRY 50 fully paid by Ziraat Katılım Bankası Anonim Şirketi, on 8 September 2017 with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, as per the Capital Markets Board ("CMB") dated 7 June 2013 and It was established to issue lease certificates exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette No. 28760.

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 9. Equity Investments (Continued)

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

##### b.1) Information on unconsolidated subsidiaries (Continued)

	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 (*)	4.963.346	543	-	573.301	-	145	338	-	-
2 (*)	141	130	-	90	-	13	64	-	-

(\*) Independently audited financial statements of 31 June 2023 are used

	Current Period 30 June 2023	Prior Period 31 December 2022
<b>Balance at the beginning of the year</b>	<b>515</b>	<b>430</b>
<b>Movements during the year</b>	<b>158</b>	<b>85</b>
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	158	85
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment (-)	-	-
<b>Balance at the end of the year</b>	<b>673</b>	<b>515</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	%100	%100

##### b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 30 June 2023	Prior Period 31 December 2022
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

##### b.3) Subsidiaries that are quoted on the stock exchange

None (31 December 2022: None).

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

None (31 December 2022: None).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****10. 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	-	393.654	273.376	49.622	152.781	-	869.433
Accumulated Depreciation (-)	-	115.610	81.850	22.424	54.607	-	274.491
<b>Net Book Value</b>	-	<b>278.044</b>	<b>191.526</b>	<b>27.198</b>	<b>98.174</b>	-	<b>594.942</b>
<b>Current Period End:</b>							
Net Book Value at the Beginning of the Period	-	278.044	191.526	27.198	98.174	-	594.942
Change During the Period (Net)	-	108.521	99.414	36.540	407.496	-	651.971
Cost	-	137.979	127.604	45.785	442.969	-	754.337
Amortization (Net) (-)	-	29.458	28.190	9.245	35.473	-	102.366
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	531.633	400.980	95.407	595.750	-	1.623.770
Accumulated Depreciation at Period End (-)	-	145.068	110.040	31.669	90.080	-	376.857
Provisions for losses	-	-	-	-	-	-	-
<b>Closing Net Book Value</b>	-	<b>386.565</b>	<b>290.940</b>	<b>63.738</b>	<b>505.670</b>	-	<b>1.246.913</b>

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None.

**11. Explanations on intangible assets:**

	Current Period 30 June 2023			Prior Period 31 December 2022		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	580.689	103.736	476.953	426.161	83.707	342.454
<b>Total</b>	<b>580.689</b>	<b>103.736</b>	<b>476.953</b>	<b>426.161</b>	<b>83.707</b>	<b>342.454</b>

- In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- 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.
- Book value of intangible assets with restrictions on use or pledged: None.
- Amount of commitments given for acquisition of intangible asset: None.
- Intangible assets based on revalued asset type: None.
- Total amount of research and development expenses recorded in the period, if any: None.
- Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- Information on goodwill: None

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

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

As of 30 June 2023, the Group has no investment property (31 December 2022: None)

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

Group's deferred tax liabilities of TRY 2.805.875 (31 December 2022: TRY 993.620) and deferred tax assets of TRY 1.714.354 (31 December 2022 TRY 1.781.640) have been offset and TRY 1.091.521 deferred tax asset (31 December 2022: TRY 788.020 deferred tax asset) is reflected in the financial statements

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

As of 30 June 2023, other assets do not exceed 10% of the total assets excluding off-balance sheet commitment.

#### 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 30 June 2023	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TRY	2.570.967	-	-	-	-	-	-	-	2.570.967
II. Real persons participation accounts non-trade TRY	-	1.246.085	22.394.370	3.754.595	2.763.305	43.962	18.017.572	-	48.219.889
III. Other current accounts-TRY	11.974.728	-	-	-	-	-	-	-	11.974.728
Public sector	196.141	-	-	-	-	-	-	-	196.141
Commercial sector	7.407.334	-	-	-	-	-	-	-	7.407.334
Other institutions	235.304	-	-	-	-	-	-	-	235.304
Commercial and other institutions	1.501	-	-	-	-	-	-	-	1.501
Banks and participation banks	4.134.448	-	-	-	-	-	-	-	4.134.448
Central Bank of Republic of Türkiye	-	-	-	-	-	-	-	-	-
Domestic banks	1.008	-	-	-	-	-	-	-	1.008
Foreign banks	4.131.743	-	-	-	-	-	-	-	4.131.743
Participation banks	1.697	-	-	-	-	-	-	-	1.697
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY	-	14.851.186	62.859.317	2.914.675	2.667.421	62.772	1.467.119	-	84.822.490
Public sector	-	10.522.456	3.061.566	3.350	1.157	-	-	-	15.588.529
Commercial sector	-	4.268.918	54.185.460	2.891.632	2.664.312	51.859	1.446.426	-	65.508.607
Other institutions	-	59.812	1.861.706	15.497	1.952	10.913	20.693	-	1.970.573
Commercial and other institutions	-	-	16.588	4.196	-	-	-	-	20.784
Banks and participation banks	-	-	1.733.997	-	-	-	-	-	1.733.997
V. Real persons current accounts non-trade FC	11.399.305	-	-	-	-	-	-	-	11.399.305
VI. Real persons participation accounts-FC	-	2.439.572	16.634.077	167.605	-	311.523	2.056.939	-	21.609.716
VII. Other current accounts-FC	14.597.756	-	-	-	-	-	-	-	14.597.756
Commercial residents in Türkiye	13.801.173	-	-	-	-	-	-	-	13.801.173
Commercial residents in Abroad	724.798	-	-	-	-	-	-	-	724.798
Banks and participation banks	71.785	-	-	-	-	-	-	-	71.785
Central Bank of Republic of Türkiye	58.014	-	-	-	-	-	-	-	58.014
Domestic banks	-	-	-	-	-	-	-	-	1
Foreign banks	13.770	-	-	-	-	-	-	-	13.770
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	11.222.754	38.805.119	2.121.081	585	79	10.220	-	52.159.838
Public sector	-	1.581	545.437	-	-	-	-	-	547.018
Commercial sector	-	11.146.952	37.433.799	2.116.609	585	79	4.438	-	50.702.462
Other institutions	-	17.296	656.064	3.263	-	-	5.782	-	682.405
Commercial and other institutions	-	46.253	41.662	-	-	-	-	-	87.915
Banks and participation banks	-	10.672	128.157	1.209	-	-	-	-	140.038
IX. Precious metal funds	5.025.577	-	3.877.636	257.030	68.758	-	97.895	-	9.326.896
X. Participation accounts special funds - TRY	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+...+IX+X+XI	45.568.333	29.759.597	144.570.519	9.214.986	5.500.069	418.336	21.649.745	-	256.681.585

(\*) As of 30 June 2023, it includes TRY 37.915.679 of CBRT Currency Protected Participation Account and TRY 22.660.046 of Treasury Currency Protected Participation Account products ve TRY 2.054.922 Yuvam Account.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### 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)

Prior Period 31 December 2022	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TRY	3.157.181	-	-	-	-	-	-	-	3.157.181
II. Real persons participation accounts non- trade TRY	-	1.109.309	20.384.240	1.164.467	780.322	1.221	5.114.040	-	28.553.599
III. Other current accounts-TRY	13.758.814	-	-	-	-	-	-	-	13.758.814
Public sector	242.590	-	-	-	-	-	-	-	242.590
Commercial sector	9.249.882	-	-	-	-	-	-	-	9.249.882
Other institutions	112.603	-	-	-	-	-	-	-	112.603
Commercial and other institutions	20.660	-	-	-	-	-	-	-	20.660
Banks and participation banks	4.133.079	-	-	-	-	-	-	-	4.133.079
Central Bank of Republic of Türkiye	291	-	-	-	-	-	-	-	291
Domestic banks	690	-	-	-	-	-	-	-	690
Foreign banks	4.132.074	-	-	-	-	-	-	-	4.132.074
Participation banks	24	-	-	-	-	-	-	-	24
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts- TRY	-	20.007.109	32.682.191	5.022.993	1.449.717	65.648	748.875	-	59.976.533
Public sector	-	13.083.148	721.929	3.851.938	51.323	2.576	-	-	17.710.914
Commercial sector	-	6.875.077	29.914.497	1.138.904	1.398.141	47.325	748.071	-	40.122.015
Other institutions	-	48.884	1.391.699	32.151	253	15.747	804	-	1.489.448
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	654.156	-	-	-	-	-	654.156
V. Real persons current accounts-FC	7.899.340	-	-	-	-	-	-	-	7.899.340
VI. Real persons participation accounts non- trade FC	-	1.582.540	8.749.485	125.947	-	248.468	1.943.881	-	12.650.321
VII. Other current accounts non-trade FC	10.149.564	-	-	-	-	-	-	-	10.149.564
Commercial residents in Türkiye	9.297.062	-	-	-	-	-	-	-	9.297.062
Commercial residents in Abroad	846.388	-	-	-	-	-	-	-	846.388
Banks and participation banks	6.114	-	-	-	-	-	-	-	6.114
Central Bank of Republic of Türkiye	-	-	-	-	-	-	-	-	-
Domestic banks	1	-	-	-	-	-	-	-	1
Foreign banks	6.113	-	-	-	-	-	-	-	6.113
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	6.484.676	13.668.959	10.159.883	17.361	-	11.341	-	30.342.220
Public sector	-	952	205.478	-	-	-	-	-	204.430
Commercial sector	-	6.441.267	13.003.990	10.028.864	17.361	-	7.136	-	29.498.618
Other institutions	-	6.612	336.809	131.019	-	-	4.205	-	478.645
Commercial and other institutions	-	35.845	124.682	-	-	-	-	-	160.527
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	3.546.550	-	2.986.678	16.268	37.973	-	64.057	-	6.651.526
X. Participation accounts special funds - TRY	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>									
<b>I+II+.....+IX+X+XI</b>	<b>38.511.449</b>	<b>29.183.634</b>	<b>78.471.553</b>	<b>16.489.558</b>	<b>2.285.373</b>	<b>315.337</b>	<b>7.882.194</b>	<b>-</b>	<b>173.139.098</b>

(\*) As of 31 December 2022, it includes TRY 22.216.406 of CBRT Currency Protected Participation Account and TRY 10.167.641 of Treasury Currency Protected Participation Account products.ve TRY 1.710.983 Yuvam Account.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 1. a) Information on funds collected

##### a.2) Information on maturity structure of funds collected

##### i. Information's on current and participation accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period 30 June 2023	Prior Period 31 December 2022	Current Period 30 June 2023	Prior Period 31 December 2022
Real persons current and profit sharing accounts that are not subject to commercial activities	20.616.506	12.569.522	71.101.982	44.932.868
TRY accounts	10.834.135	7.239.479	39.956.721	24.471.301
FC accounts	9.782.371	5.330.043	31.145.261	20.461.567
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

(\*) Pursuant to the Regulation Amending the Regulation on Deposits and Participation Funds Subject to Insurance and Premiums to be Collected by the Savings Deposit Insurance Fund, published in the Official Gazette dated 27 August 2022 and numbered 31936, All deposits and participation funds, except for those, are covered by insurance. In line with this change, commercial deposits amounting to TRY 3.012.255 within the scope of insurance are not included in the table. The portion of the said deposits exceeding the insurance limit is TRY 139.687.190.

##### ii. Amounts which are not within the scope of insurance

##### Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund

	Current Period 30 June 2023	Prior Period 31 December 2022
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	2.444	1.223
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 Türkiye 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 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Syndicated Loan	-	582.566	150.067	1.300.767
Wakala Loans	-	872.332	-	297.209
Funds Provided from Issued Lease Certificates (Sukuk)	-	-	-	-
Other	390.235	4.889.789	191.652	2.584.274
<b>Total</b>	<b>390.235</b>	<b>6.344.687</b>	<b>341.719</b>	<b>4.182.250</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 2. Information on funds borrowed (Continued)

###### b) Information on maturity structure of borrowings

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	390.236	2.053.554	341.719	2.405.748
From Foreign Banks, Institutions and Funds	-	4.291.132	-	1.776.502
<b>Total</b>	<b>390.236</b>	<b>6.344.686</b>	<b>341.719</b>	<b>4.182.250</b>

###### c) Information on maturity structure of borrowings

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Short-term	13.968	1.091.158	185.711	1.369.438
Medium and Long-term	376.268	5.253.528	156.008	2.812.812
<b>Total</b>	<b>390.236</b>	<b>6.344.686</b>	<b>341.719</b>	<b>4.182.250</b>

###### d) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations

83,56% of Bank's liabilities consists of current and participation account.

##### 3. Information on funds obtained from market transactions

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
<b>Domestic</b>	<b>365.007</b>	<b>10.274.532</b>	<b>57.003</b>	<b>7.498.996</b>
Financial Institutions	365.007	10.274.532	57.003	7.498.996
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
<b>Total</b>	<b>365.007</b>	<b>10.274.532</b>	<b>57.003</b>	<b>7.498.996</b>

##### 4. Information on securities issued

None (31 December 2022: None).

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

None (31 December 2022: None).

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

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Forward transactions	-	-	-	-
Swap transactions	-	1.859	-	62.998
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>1.859</b>	<b>-</b>	<b>62.998</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 7. Information on financial lease obligations

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Gross	Net	Gross	Net
Less than 1 year	5.223	5.084	43.715	24.347
Between 1-5 years	211.768	166.337	130.103	100.305
More than 5 years	653.399	319.813	422.202	211.294
<b>Total</b>	<b>870.390</b>	<b>491.234</b>	<b>596.020</b>	<b>335.946</b>

##### 8. Information on provisions

###### a) Information on provisions related with foreign currency difference of foreign currency indexed loans and lease receivables

As of June 2023, there is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2022: None).

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

The expected credit loss provision for non-compensated and non-cash loans is TRY 20.028 (31 December 2022: TRY 23.278).

###### c) Information on other provisions

###### c.1) Information on free provisions for possible risks

Except for the BRSA Accounting and Financial Reporting Legislation requirements, free provision has been set aside by the Group management, amounting to TRY 404.000, of which TRY 1.004.000 has been reserved in previous periods and TRY 600.000 has been allocated in the current period (31 December 2022: Except for the BRSA Accounting and Financial Reporting Legislation requirements, a total of TRY 1.004.000 has been set aside by the bank management, of which TRY 20.000 has been reserved in previous periods and TRY 984.000 has been canceled in the current year).

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

As of June 30, 2023, TRY 1.095.145 of other provisions (31 December 2022: TRY 701.266) was allocated from profits to be distributed to participation accounts, TRY 1.331 (31 December 2022: TRY 632) was made from provisions for foreign currency purchases and sales, TRY 522 The portion amounting to (31 December 2022: TRY 213) consists of the provision for promotional practices regarding credit cards and banking services.

###### c.3) Information on litigations provisions

A provision of TRY 89.319 has been made in the financial statements for the lawsuits that are likely to be concluded against the Group but are not yet finalized (31 December 2022: TRY 86.915).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### 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

According to the Turkish Labor Law; The Bank is obliged to pay severance pay for its personnel who have completed one year of employment and whose relationship with the Bank has been terminated due to reasons other than resignation or misconduct, or who completed their service year and gained their retirement, were called up for military service or died. The compensation to be paid is equal to one month's gross salary for each year of service and this amount is limited to TRY 19.983 (full TRY) determined by the government as of 30 June 2023 (31 December 2022: TRY 15.371 (full TRY)).

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period 30 June 2023	Prior Period 31 December 2022
Discount Rate (%)	% 9,20	% 9,20
Inflation	% 8,66	% 8,66

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

	Current Period 30 June 2023	Prior Period 31 December 2022
<b>Balance at the 1 January</b>	125.764	26.259
Paid during the period	-	266.967
Severance Pay	23.256	(834)
Actuarial loss/(gain)	-	(166.628)
<b>Balance at the end of the period</b>	<b>149.020</b>	<b>125.764</b>

As of June 30, 2023, the Bank's liability arising from leave rights is TRY 35.000 (31 December 2022: TRY 28.175).

##### d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial ratio 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 June 2023, no technical deficit has been reported.

As of the balance sheet date, the Group's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

##### d.3) Additional Bonus Provision to be paid to Personnel

The Group has a total of TRY 164 provision in the current period, based on the additional bonus to be paid to the personnel (31 December 2022: TRY 500).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### 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 2023, the Bank has no corporate tax liability after deducting temporary taxes paid during the period from its tax provisions (As of 31 December 2022, corporate tax liability is TRY 1.338.031 from tax provisions after deducting temporary taxes paid during the period).

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Corporate Tax Payable	-	1.338.031
Taxation on Income From Securities	55.635	46.059
Property Tax	1.455	876
Banking Insurance Transactions Tax (BITT)	95.602	51.030
Foreign Exchange Transactions Tax	2.519	6.512
Value Added Tax Payable	24.216	15.992
Other	15.094	26.404
<b>Total</b>	<b>194.521</b>	<b>1.484.904</b>

##### c) Information on premiums:

	Current Period 30 June 2023	Prior Period 31 December 2022
Social Security Premiums – Employee	539	20
Social Security Premiums – Employer	750	-
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	990	764
Unemployment Insurance – Employer	1.975	1.526
Other	-	-
<b>Total</b>	<b>4.254</b>	<b>2.310</b>

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

The Group has no deferred tax liability as of the balance sheet date. (31 December 2022: None)

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

The Bank has no liabilities for assets held for sale and discontinued operations (31 December 2022: None).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES  
(Continued)****12. Explanations on subordinated debts**

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
From Domestic Banks	1.341.480	-	1.341.748	-
From Other Domestic Institutions	-	3.734.514	-	2.597.654
From Foreign Banks	-	-	-	-
From Other Institutions Abroad	-	-	-	-
<b>Total</b>	<b>1.341.480</b>	<b>3.734.514</b>	<b>1.341.748</b>	<b>2.597.654</b>

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Debt instruments to be included in the additional capital calculation:	-	3.734.514	-	2.597.654
Subordinated Loans(*)	-	3.734.514	-	2.597.654
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	1.341.480	-	1.341.748	-
Subordinated Loans (**)	1.341.480	-	1.341.748	-
Equity-like Debt Instruments	-	-	-	-
<b>Total</b>	<b>1.341.480</b>	<b>3.734.514</b>	<b>1.341.748</b>	<b>2.597.654</b>

(\*) On April 24, 2019, with the approval of the BRSA on April 22, 2019, the Parent Bank obtained EUR 100.000 from Türkiye Wealth Fund Market Stability and Balance Sub-Fund; With the approval of the BRSA on March 9, 2022, on March 9, 2022, a subordinated loan amounting to EUR 57.039 is provided within the scope of demand and non-profit additional capital. The Bank calculated the fair value of the loan amount and reflected it to the financial statements by using the prices of similar financial instruments on the date it was included in the balance sheet within the scope of TFRS 9 and TFRS 13 standards.

**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	7.350.000	2.650.000
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) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:**

None.

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

None.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

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

##### 14. Information on shareholders' equity (Continued)

- d) 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:

None.

- e) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators. (31 December 2022: None).

- f) Summary information on privileges given to shares representing the capital:

As of 30 June 2023, the Bank has no preferred shares (31 December 2022: None).

- g) Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss:

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.062.207	(164.532)	2.540.848	(117.971)
Revaluation Difference	1.361.742	(164.532)	3.348.782	(117.971)
Deferred Tax Effect	(299.535)	-	(807.934)	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>1.062.207</b>	<b>(164.532)</b>	<b>2.540.848</b>	<b>(117.971)</b>

#### III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

##### 1. Information on off-balance sheet liabilities:

- a) Nature and amount of irrevocable loan commitments:

	Current Period 30 June 2023	Prior Period 31 December 2022
Commitments for Credit Card Expenditure Limits	679.219	720.578
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	1.351.433	748.093
Loan Granting Commitments	189.719	95.161
Asset Purchase Commitments	779.340	544.655
Tax and Fund Liabilities from Export Commitments	1.328.573	721.459
Promotion Commitment Regarding Credit Card and Banking Services	840	458
<b>Total</b>	<b>4.329.124</b>	<b>2.830.404</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET  
ACCOUNTS****1. Information on off-balance sheet liabilities:****b) The nature and amount of possible losses and commitments from off-balance sheet items  
including the following:**

A provision of TRY 272.651 has been made for possible losses arising from off-balance sheet items (31 December 2022: TRY 218.066).

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

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
Guarantee Letters	54.960.449	37.944.687
Bank Acceptances	123.569	74.133
Letter of Credits	6.352.362	5.650.939
Other Contingencies	858.585	1.521.723
<b>Total</b>	<b>62.294.965</b>	<b>45.191.482</b>

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

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
Letters of Temporary Guarantees	2.373.408	2.854.152
Letters of Certain Guarantees	28.968.366	19.331.234
Letters of Advance Guarantees	9.213.192	4.777.857
Letters of Guarantees given to Customs Offices	530.838	429.313
Other Letters of Guarantees	13.874.645	10.552.131
<b>Total</b>	<b>54.960.449</b>	<b>37.944.687</b>

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

	<b>Current Period 30 June 2023</b>	<b>Prior Period 31 December 2022</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>13.870.087</b>	<b>10.548.853</b>
With Original Maturity of One Year or Less	1.540.843	500.931
With Original Maturity of More than One Year	12.329.244	10.047.922
<b>Other Non-Cash Loans</b>	<b>48.424.878</b>	<b>34.642.629</b>
<b>Total</b>	<b>62.294.965</b>	<b>45.191.482</b>

**III. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF  
CONSOLIDATED PROFIT OR LOSS****1. a) Information on profit share received from loans:**

	<b>Current Period 30 June 2023</b>		<b>Prior Period 30 June 2022</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
<b>Profit share on loans <sup>(*)</sup></b>	<b>7.554.268</b>	<b>2.113.877</b>	<b>4.383.648</b>	<b>763.377</b>
Short term loans	4.420.990	1.256.899	1.893.246	162.080
Medium and long term loans	3.103.111	856.978	2.453.293	601.297
Profit share on non-performing loans	30.167	-	37.109	-
Premiums received from resource utilization support fund	-	-	-	-

<sup>(\*)</sup> Includes fees and commissions income on cash loans.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)****b) Information on profit share income from banks:**

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Central Bank of the Republic of Türkiye	-	-	-	-
Domestic Banks	105.532	62.269	52.523	5.513
Foreign Banks	-	560	-	1.809
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>105.532</b>	<b>62.829</b>	<b>52.523</b>	<b>7.322</b>

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

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Financial Assets at Fair Value through Profit and Loss	-	31.316	-	20.745
Financial Assets at Fair Value through Other Comprehensive Income	1.976.994	112.865	2.626.220	85.323
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	286.067	212.164	4.588	71.560
<b>Total</b>	<b>2.263.061</b>	<b>356.345</b>	<b>2.630.808</b>	<b>177.628</b>

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

None (30 June 2022: None).

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

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Banks	136.851	154.975	160.454	21.232
Central Bank of the Republic of Türkiye	-	-	205	-
Domestic Banks	136.851	77.703	160.249	19.413
Foreign Banks	-	77.272	-	1.819
Head Office and Branches	-	-	-	-
Other Institutions	-	227.436	-	76.876
<b>Total</b>	<b>136.851</b>	<b>382.411</b>	<b>160.454</b>	<b>98.108</b>

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

None (30 June 2022: None)

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

Profit share expenses on securities issued are TRY 572.851 (30 June 2022: TRY 349.518).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

##### 3) Presentation of dividends paid to participation accounts according to maturity structure:

Current Period 30 June 2023	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	167.458	-	-	-	167.458
Real Person's Non Commercial Participation Accounts	65.410	1.425.991	204.690	146.115	590.997	2.433.203
Public Sector Participation Accounts	729.670	510.899	82.749	2.287	-	1.325.605
Commercial Sector Participation Accounts	511.378	4.708.843	703.316	218.773	53.087	6.195.397
Other Institutions Participation Accounts	5.849	229.534	1.220	906	2.293	239.802
<b>Total</b>	<b>1.312.307</b>	<b>7.042.725</b>	<b>991.975</b>	<b>368.081</b>	<b>646.377</b>	<b>10.361.465</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	138	1.367	-	-	-	1.505
Real Person's Non Commercial Participation Accounts	4.939	80.286	632	1.107	15.300	102.264
Public Sector Participation Accounts	2	5	-	-	-	7
Commercial Sector Participation Accounts	427	40.880	8.637	2	7	49.953
Other Institutions Participation Accounts	87.614	304.916	110.874	33	59	503.496
Public Sector Participation Accounts	4.060	-	-	-	-	4.060
<b>Total</b>	<b>97.180</b>	<b>427.454</b>	<b>120.143</b>	<b>1.142</b>	<b>15.366</b>	<b>661.285</b>
<b>Grand Total</b>	<b>1.409.487</b>	<b>7.470.179</b>	<b>1.112.118</b>	<b>369.223</b>	<b>661.743</b>	<b>11.022.750</b>

Prior Period 30 June 2022	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	26.862	-	-	-	26.862
Real Person's Non Commercial Participation Accounts	61.031	679.756	56.020	30.540	89.527	916.874
Public Sector Participation Accounts	152.429	108.257	18.793	8.254	-	287.733
Commercial Sector Participation Accounts	173.378	916.810	514.830	90.760	18.511	1.714.289
Other Institutions Participation Accounts	3.283	111.445	8.617	699	252	124.296
<b>Total</b>	<b>390.121</b>	<b>1.843.130</b>	<b>598.260</b>	<b>130.253</b>	<b>108.290</b>	<b>3.070.054</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	8.272	-	176	-	8.448
Real Person's Non Commercial Participation Accounts	5.035	49.431	2.493	2.137	15.249	74.345
Public Sector Participation Accounts	3	5	-	-	-	8
Commercial Sector Participation Accounts	759	72.350	37.709	1.814	723	113.355
Other Institutions Participation Accounts	10.712	95.890	42.797	31	27.019	176.449
Public Sector Participation Accounts	4.664	-	-	-	-	4.664
<b>Total</b>	<b>21.173</b>	<b>225.948</b>	<b>82.999</b>	<b>4.158</b>	<b>42.991</b>	<b>377.269</b>
<b>Grand Total</b>	<b>411.294</b>	<b>2.069.078</b>	<b>681.259</b>	<b>134.411</b>	<b>151.281</b>	<b>3.447.323</b>

#### 4. Information on dividend income:

As of 30 June 2023, the Bank has no dividend income (30 June 2022: TRY 774).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)****5. a. Information on trading income/loss (Net)**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 30 June 2022</b>
<b>Income</b>	<b>4.304.487</b>	<b>2.399.520</b>
Foreign exchange gains	4.723	2.406
Gain on derivative financial instruments	202.334	77.172
Gain on capital market transactions	4.097.430	2.319.942
<b>Losses (-)</b>	<b>3.187.930</b>	<b>2.356.103</b>
Foreign exchange losses	18.175	3.055
Losses on derivative financial instruments	79.519	26.213
Losses on capital market transactions	3.090.236	2.326.835
<b>Net</b>	<b>1.116.557</b>	<b>43.417</b>

**b. Information on profit/loss on Derivative Financial Operations:**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 30 June 2022</b>
Effect of the change in exchange rates on profit/loss	122.815	50.959
<b>Total</b>	<b>122.815</b>	<b>50.959</b>

**6. 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:

	<b>Current Period 30 June 2023</b>	<b>Prior Period 30 June 2022</b>
Correction Account for Previous Years Expenses	1.511.945	458.901
Income from the Sale of the Asset	8.722	16.173
Provision for Communication Expenses	3.809	3.244
Checkbook Fees	381	324
Other	3.160	3.309
<b>Total</b>	<b>1.528.017</b>	<b>481.951</b>

(\*) Of the correction account for previous year expenses, TRY 638.018 is from credit reserve cancellations (30 June 2022: TRY 246.129), TRY 600.000 from free reserve cancellations (30 June 2022: None), TRY 229.382 from participation accounts reserve cancellations (30 June 2022: TRY 105.985) and TRY 3 of securities depreciation reserve cancellations (30 June 2022 TRY 20.123).

**7. Provision expenses for impairment on loans and other receivables:**

	<b>Current Period 30 June 2023</b>	<b>Prior Period 30 June 2022</b>
Expected Credit Loss	1.626.622	820.018
12 month expected credit loss (stage 1)	914.664	389.131
Significant increase in credit risk (stage 2)	354.259	112.672
Non-performing loans (stage 3)	357.699	318.215
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	41.052	418.674
<b>Total</b>	<b>1.667.674</b>	<b>1.238.692</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

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

	Current Period 30 June 2023	Prior Period 30 June 2022
Provision of Employee Termination Benefits	23.256	6.376
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	111.303	42.866
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	20.028	12.233
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	330.179	160.036
Leasing Expenses Related to TFRS 16 Exceptions	1.172	763
Maintenance Expenses	55.695	15.037
Advertisement Expenses	67.522	27.925
Other Expenses	205.790	116.311
Loss on Sales of Assets	-	144
Other (*)	1.264.734	103.983
<b>Total</b>	<b>1.749.500</b>	<b>325.638</b>

(\*) TRY 152.839 (30 June 2022 TRY 52.002) of the balance that constitutes the other item is from SDIF premium and audit and consultancy service expenses, TRY 73,166 (30 June 2022 TRY 34,824) is from taxes, fees and funds and other service expenses TRY 1.000.000 amount consists of donations made to AFAD due to the earthquake disaster in Kahramanmaraş and surrounding provinces in February.

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

As of 30 June 2023, the Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 30 June 2023	Prior Period 30 June 2022
Net Profit Share Income	2.521.951	4.185.621
Net Fees and Commissions Income	581.228	143.200
Dividend Income	-	774
Trading Income/Expense (Net)	1.116.557	43.417
Other Operating Income	1.528.017	481.951
Expected Loss Provision (-)	1.626.622	820.018
Other Provision Expense(-)	41.052	418.674
Personnel Expense	967.085	318.499
Other Operating Expenses (-)	1.749.500	325.638
<b>Income/(Loss) from Continuing Operations</b>	<b>1.363.494</b>	<b>2.972.134</b>

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

As of 30 June 2023, the Bank has no tax provision expense (30 June 2022: TRY 860.553), deferred tax income is TRY 204.900 (30 June 2023: TRY 347.421 expense).

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

Net profit of the Bank from continuing operations is TRY 1.158.581 (30 June 2022: TRY 2.111.581 net profit).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

##### 12. Information on net profit/loss:

- a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

- b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

##### 13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

None (31 June 2022: None).

#### V. EXPLANATIONS AND NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Not prepared in compliance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

#### VI. EXPLANATIONS AND NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Not prepared in compliance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

#### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

- 1) a) Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	2.374	-	-	-
Profit share and commission income	-	-	3.330	-	-	-
Loans and other receivables	-	-	-	-	-	-

Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beg of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	1.646	-	-	-
Profit share and commission income	-	-	2.374	-	-	-
Loans and other receivables	-	-	-	-	-	-

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK  
(Continued)****b) Current and profit sharing account held by the Bank's risk group:**

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Participation Accounts						
Profit Share Expenses	-	-	-	-	-	-

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

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Funds Borrowed						
Balance at the beginning of period	5.200.000	4.050.000	284.791	484.397	-	-
Balance at the end of the period	4.700.000	5.200.000	215.119	284.791	-	-
Profit share paid expense	572.851	349.518	6.751	10.186	-	-

**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	-	-	5.928.040	1.708.791	-	-
Closing Balance	-	-	1.119.908	5.928.040	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

The total amount of benefits provided to the Bank's Senior Management is TRY 12.764 (31 December 2022: TRY 12.688).

**VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET  
DATE**

At the Extraordinary General Assembly Meeting of the Bank for the year 2023 held on 3 August 2023, it has been decided to set aside 5% of the balance sheet profit of 2022, amounting to TRY 3.840.272 thousand, as general legal reserve fund of TRY 192.014 thousand, and to keep the remaining TRY 3.648.258 thousand within the Bank.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

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

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#### **SECTION SIX**

##### **EXPLANATIONS ON AUDITOR’S LIMITED REVIEW REPORT**

##### **I. EXPLANATIONS ON INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT**

As of June 30, 2023, the consolidated financial statements prepared for the accounting period ending on the same date are by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the review report dated 8 August 2023 is presented before the consolidated financial statements.

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

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

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**SECTION SEVEN**

**INTERIM ACTIVITY REPORT**

**I. ASSESMENT OF CHAIRMAN**

In the second quarter of 2023, the main agenda item of the global economy was the fight against inflation and the slowdown in interest rate increases in this context. Looking at the macro level, exports in China have decreased; The debt ceiling bill in the USA was concluded positively after long negotiations; In Europe, on the other hand, the improvement in inflation and the possibility of stopping the tight monetary policy in the near future come to the fore. All these matters; the expectation that the global inflationary pressure will decrease further in the coming periods, the positive signals from the economy and the slowdown in the rate of increase in interest rates will continue for a while; shows that it is possible to take steps towards relaxation starting from the third quarter of the year.

While the slowdown in the growth rate and the continuation of interest rate increases were observed in the US economy in the first quarter of 2023, the fact that the annual inflation data remained below the expectations in the second quarter of the year -although the data on the employment market came above expectations- showed that the FED had the opportunity to take a break from the policy of increasing interest rates. In parallel, the FED kept the policy interest rate constant for the first time in 15 months in June, in line with the expectations, and continued to take firm steps towards the 2% inflation target within the scope of the fight against inflation, and stated that the use of super core inflation would be an important choice in this context. On the other hand, developments regarding the debt ceiling were determinant on the risk appetite throughout May, while the parties' agreement as a result of the negotiations eliminated the risk of default. This development is the FED's response to a possible banking crisis; strengthened the expectation that it will take stricter steps in capital liabilities and risk assessments. The manufacturing sector PMI index, which is an indicator of the latest outlook of economic activity, remained below the 50 threshold level in June. This development also shows that interest rate hikes yield results and supports that the US economy is in the contraction zone.

On the other hand, it was emphasized by the European Central Bank that inflation has been very high for a long time; It has been stated that the fight against inflation is not over yet and this process will continue until the 2% target is reached in the medium term. Within the scope of the tight monetary policy, the interest rate may reach its peak in June or July, and the policy will be tighter for a while; however, it has been emphasized that this will gain downward momentum in 2024. As a result, it can be said that the economic recovery seen in Europe in the first quarter of 2023 continued in the second quarter of the year.

The economic recovery seen in the economies of developing countries in the first quarter of the year was replaced by an economic contraction in the second quarter of the year. Because the recovery of the Chinese economy lost momentum in April; exports fell for the first time in May. The manufacturing PMI index, which is an important indicator of the latest outlook of economic activity, also came in below expectations. All these can be considered as signs that global demand has weakened and risks in the economy have increased.

In Türkiye, the policy of controlling inflation risks and expectations and supporting the Turkish Lira continued in the second quarter of the year. At the MPC meeting held by the CBRT in June, by the Board; It was emphasized that necessary monetary and financial conditions will be created in order to decrease the underlying trend of inflation and to reach the 5% inflation target in the medium term. Similarly; It was stated that it was decided to start the monetary tightening process in order to anchor inflation expectations, to establish disinflation as soon as possible, to control the deterioration in pricing behavior and the negative impact of the economic shock caused by the earthquake on the budget. In this context, the policy rate was increased from 8.5% to 15%. On the other hand, programs supporting producers and exporters in loan disbursements continued. This situation is considered to be an important factor in maintaining our country's growth performance in the rest of the year. When viewed in the framework of all these; The expectation that the downward trend in economic growth and inflation, which is currently in a downward trend, will continue in the upcoming period has strengthened.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

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

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#### **INTERIM ACTIVITY REPORT (Continued)**

##### **Assesment of Chairman (Continued)**

While the share of participation banking in the financial sector was 8.27% at the end of last year, this ratio increased to 8.37% as of May of the year. It is of great importance to maintain this positive performance in order to deepen our country's financial system and make it more resistant to risks.

While Ziraat Katılım Bank continues to increase its share in the sector, it continues to open branches to make it possible to deliver participation banking services to every corner of our country. In this context, our Bank is proud to open its 174th branch in 2023. Ziraat Katılım Bank will continue to branch out, to offer effective financial solutions with a customer-oriented approach at all our service points, and to further support the participation banking sector and our economy, within the framework of efficiency principles.

**Alpaslan ÇAKAR**  
**Chairman of the Board**

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

### INTERIM ACTIVITY REPORT (Continued)

#### I. Assessment of General Manager

Ziraat Katılım's total assets increased by 44% to TRY 305.8 billion in the second quarter of 2023 compared to the end of the previous year, while the funds collected increased by 48% to TRY 256.7 billion compared to the same period. While the cash funds provided increased by 47% to TRY 213.1 billion, Ziraat Katılım's cash and non-cash financing provided to the entire sector amounted to TRY 277 billion.

Ziraat Katılım completed the second quarter of 2023 with a profit of TRY 1.1 billion, as a result of its service approach that prioritizes customer satisfaction and the successful execution of its business cycle structured with a focus on efficiency.

Ziraat Katılım, which has rapidly expanded its branch network throughout Türkiye, reached 174 branches as of the 2nd quarter of 2023, with 173 branches in the country and 1 abroad.

#### OUR LEASE CERTIFICATE ISSUES REACHED TRY 62.1 BILLION TOTAL

Ziraat Katılım Bankası A.Ş. successfully completed the issuance of 6 lease certificates in the second quarter of 2023. Ziraat Yatırım Menkul Değerler A.Ş. While TRY 3.4 Billion of funding was obtained from these issuances made through our issuance, all of the lease certificate issuances received more than the issuance amount from investors. Ziraat Katılım, Türkiye's first participation bank with public capital, has reached a total volume of TRY 62.1 billion with the issuance of 145 lease certificates to investors since its inception in 2015.

#### WE HAVE IMPLEMENTED TOGG VEHICLE FINANCE

Türkiye's Automobile Initiative Group A.Ş. (Togg) and our bank, the "Togg Vehicle Finance" product was created to meet the financing demands of all real persons who want to buy the national automobile brand Togg smart vehicle. While financing transactions are implemented by the branch channel at the first stage, systemic developments are continuing to carry out the entire process through the mobile application.

#### WE OFFERED OUR TLREFK INDEX LEASING PRODUCT TO OUR CUSTOMERS

In leasing transactions, the "TLREFK Indexed Leasing" product was created and our new product was offered to all our customers in order to offer medium and long-term leasing financing services in accordance with Participation Banking, with a payment plan created in variable installments according to the Turkish Lira Overnight Participation Reference Return Rate (TLREFK) index.

#### WE CONTINUE TO FINANCE EMERGENCY SUPPORT FOR THE EARTHQUAKE REGION

Those operating in small industrial sites, organized industrial zones or outside them (workplace clustering and similar) in our provinces affected by the earthquakes that took place in 11 provinces in Kahramanmaraş on 06 February 2023 and described as the disaster of the century, and whose workplaces were damaged and documented this situation from the relevant official authorities. The "2023 Earthquake Emergency Support Financing" protocol signed between KOSGEB and our bank in order to provide financial support to enterprises under favorable conditions, and the "Earthquake Zone Operation Expenses Support Package", which was created in order to maintain the operations of businesses operating in cities in earthquake zones, continued.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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#### INTERIM ACTIVITY REPORT (Continued)

##### II. Assessment of General Manager (Continued)

###### WE MADE CRITICAL STUDIES IN INFORMATION SYSTEMS

Within the scope of our Information Systems activities; With the Open Banking, Account Transactions and Payment Order Initiation project, another bank account display and payment order initiation service has been put into use; with a single mobile application, a single password, and a single security verification, it was possible to control and operate on all accounts. With the Daily Evaluated Account (Cash Account) project, the operational workload of our branches and head office sales teams was reduced, while customer dissatisfaction arising from operational errors was prevented. The second phase of the account opening process with digital approval, for all real persons and traders/traders other than Turkish citizens; Turkish, English, Arabic language options have been added and it can be done with digital approval.

As Ziraat Katılım, we continue to work devotedly to increase our contribution to the real economy in line with our values and ethical principles, which are the reflections of our deep-rooted corporate culture.

Best Regards,

**Metin ÖZDEMİR**  
General Manager

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### INTERIM ACTIVITY REPORT (Continued)

#### III. Shareholding Structure

The paid in capital of Ziraat Katılım Bankası A.Ş. is TRY 7.350.000.000 and this capital is divided into 7.350.000.000 shares, each of which is worth 1.00 Turkish Liras. The Chairman and Members of the Board of Directors, the Members of the Audit Committee, and the General Manager and his Deputies do not own shares in the Bank.

Title	Share Amounts	Number of Shares
T.C. Ziraat Bankası A.Ş.	7.349.999.996	7.349.999.996
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	1	1
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

#### IV. Amendments To The Articles Of Association

The decision to increase the capital to TRY 7.350.000.000 was approved at the Extraordinary General Assembly meeting of the Bank held on March 31, 2023, and the capital increase and the related amendment made in the related article of the Articles of Association were registered on April 3, 2023, and dated April 3, 2023. It was announced in the Trade Registry Gazette No. 10803. Accounting for the said capital increase was carried out on April 3, 2023, based on the permission obtained from the BRSA. In this framework, the relevant article of the Articles of Association has been updated as indicated below.

Former Version of Article 6: The capital of the company is 2.650.000.000,00 Turkish Liras. This capital is divided into 265 million shares, each worth 1,00 Turkish Lira. The previous capital, which was 1.750.000.000,00 Turkish Liras, was fully paid in cash, free of collusion. This time, all of the 900.000.000 Turkish Liras increased in cash was transferred to TC Ziraat Bankası A.Ş. It has been committed in cash by and paid before registration.

New Version of Article 6: The capital of the company is 7.350.000.000,00 Turkish Liras. This capital is divided into 735000000 shares, each worth 1.00 Turkish Lira. The previous capital of 2.650.000.000,00 Turkish Liras was paid in cash, free of collusion. This time, all of the 4.700.000.000,00 Turkish Liras increased in cash was transferred to TC Ziraat Bankası A.Ş. It has been committed in cash by and paid before registration.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### INTERIM ACTIVITY REPORT (Continued)

##### V. Main Financial Indicators

Within Bank Assets, Loans with TRY 213.157.307 Thousand with 69%, Cash Values and Cash Equivalents with 27.766.197 Thousand TRY with 18%, Securities with TRY 33.972.332 Thousand with 11%, Other Assets with TRY 4.110.234 Thousand with 2%, gets a share.

Assets (Thousand TRY)	30 June 2023	31 December 2022	Variance (%)
Cash Values and Cash Equivalents	54.578.229	38.204.442	43
Securities	33.972.332	26.228.936	30
Loans	213.157.307	144.858.268	47
Other Assets	4.110.234	3.065.277	34
<b>Total Assests</b>	<b>305.818.102</b>	<b>212.356.923</b>	<b>44</b>

Funds Collected in Bank Liabilities with TRY 256.681.585 Thousand with 84%, Funds Other than Funds Collected with TRY 26.063.479 Thousand with 9%, Shareholders' Equity with TRY 15.712.690 Thousand with 5% and Other Liabilities with TRY 7.360.348 Thousand with 2% share takes.

Liabilities (Thousand TRY)	30 June 2023	31 December 2022	Variance (%)
Deposit	256.681.585	173.139.098	48
Non- Deposit Resources	26.063.479	20.413.611	28
Other Liabilities	7.360.348	7.425.769	(1)
Equity	15.712.690	11.378.445	38
<b>Total Liabilities</b>	<b>305.818.102</b>	<b>212.356.923</b>	<b>44</b>

Selected Income-Expenses (Thousand TRY)	30 June 2023	30 June 2022
Profit Share Income	14.855.460	8.587.342
Profit Share Expense	12.333.509	4.401.721
Net Profit Share Income	2.521.951	4.185.621
Net Fee and Commission Income	581.228	143.200
Dividend Income	-	774
Trading Profit/Loss	1.116.557	43.417
Other Operating Income	1.528.017	481.951
Other Operating Expense	1.749.500	325.638
Expected Loss Provision	1.626.622	820.018
Other Provision Expense	41.052	418.674
Personnel Expense	967.085	318.499
Profit / Loss Before Tax	1.363.494	2.972.134
Tax Provision	(204.900)	(860.553)
Net Profit/Loss	<b>1.158.594</b>	<b>2.111.581</b>

RATIOS (%)	30 June 2023	31 December 2022
Capital Adequacy Ratio	14,6	15,4
Equity / Total Assets	5,1	5,3
Total Loans / Total Assets	69,7	69
Borrowings/Total Assets	83,6	81,2
Non-Performing Loans (Gross)/Loans	0,9	1,3

(\*) It includes Leasing Receivables.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### INTERIM ACTIVITY REPORT (Continued)

#### VI. Information On The Consolidated Subsidiary

##### ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.:

Ziraat Katılım Varlık Kiralama A.Ş. exclusively within the framework of the Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 07.06.2013 and numbered 28760, on 22.01.2016, with a capital of TRY 50.000, all of which was paid by Ziraat Katılım, and the permission was obtained from the Banking Regulation and Supervision Agency and the Capital Markets Board. has been established to export lease certificates.

The company's main address is Fatih / İSTANBUL.

As of 30 June 2023, the company has no personnel.

Shareholders	Address	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.000

Ziraat Katılım Varlık Kiralama A.Ş. The lease certificate redemptions made by the Company are shown in the table below.

Fund User	ISIN Code	Issue Amount	Issue Date	Redemption Date	Maturity-Day	Annual Simple Interest Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK72332	800.000.000,00	13.04.2023	25.07.2023	103	22,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK82315	600.000.000,00	26.04.2023	04.08.2023	100	22,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK82323	400.000.000,00	05.05.2023	16.08.2023	103	24,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK52417	500.000.000,00	25.05.2023	23.05.2024	364	27,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92314	500.000.000,00	09.06.2023	07.09.2023	90	33,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92322	600.000.000,00	20.06.2023	27.09.2023	99	35,50%

Ziraat Katılım Varlık Kiralama A.Ş. The lease certificate redemptions made by the Company are shown in the table below.

Fund User	ISIN Code	Issue Amount	Issue Date	Redemption Date	Maturity Day	Annual Simple Interest Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK42319	100.000.000,00	08.04.2022	05.04.2023	362	16.364.380,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK42327	500.000.000,00	06.01.2023	13.04.2023	97	26.907.550,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK42335	600.000.000,00	17.01.2023	26.04.2023	99	32.954.820,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52318	500.000.000,00	27.01.2023	05.05.2023	98	27.520.550,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52326	700.000.000,00	15.02.2023	18.05.2023	92	36.610.980,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK62317	800.000.000,00	07.03.2023	09.06.2023	94	46.356.160,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK62325	1.000.000.000,00	15.03.2023	20.06.2023	97	58.465.800,00

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### INTERIM ACTIVITY REPORT (Continued)

##### VI. Information On The Consolidated Subsidiary (Continued)

###### ZKB VARLIK KİRALAMA A.Ş.:

ZKB Varlık Kiralama A.Ş. With the capital of 50.000 TRY fully paid by Ziraat Katılım, with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, on 08.09.2017, exclusively within the framework of the CMB's Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 07.06.2013 and numbered 28760. was established to issue lease certificates.

The company's main address is Fatih / İSTANBUL.

As of 30 June 2023, the company has no personnel.

Shareholders	Address	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.000

##### VII. 2023 II. Interim Activities

Pursuant to the cooperation agreement signed between Türkiye's Automobile Initiative Group A.Ş. (Togg) and our Bank, the **"Togg Vehicle Financing"** product was created to meet the financing demands of all real persons who want to purchase the national automobile brand Togg smart vehicle. Financing transactions were implemented by the branch channel at the first stage, and systemic developments are continuing to carry out the entire process through the mobile application.

In leasing transactions, the **"TLRERFK Indexed Leasing"** product was created and our new product was offered to all our customers in order to offer medium and long-term leasing financing services in accordance with Participation Banking, with a payment plan created in variable installments according to the Turkish Lira Overnight Participation Reference Rate of Return (TLREFK) index.

Within the scope of sustainable development goals, **"CBRT Investment Committed Advance Financing"**, which is used to increase exports by supporting, contribute to domestic production by reducing imports, and support investments with high efficiency and added value for foreign exchange earning service revenues, has been put into practice.

Work has begun on the creation of new financing products within the scope of sustainability and the classification of our financing products within the framework of our Bank's sustainability policies.

**Katılım Finans Kefalet A.Ş. (KFK)** integration and protocol signing process has been started. In the upcoming period, it is aimed to implement new products to be used within the scope of KFK.

Within the scope of the support programs signed between the **Small and Medium Enterprises Development and Support Administration (KOSGEB)** and our Bank to encourage investments in production:

Within the scope of the Small and Medium Enterprises Development and Support Administration (KOSGEB) Vegetable and Fruit Cold Chain Leasing Support Program, the beneficiaries will be supported to a certain extent by the financial leasing method of the profit share to be accrued in the procurement of domestic goods and new cold storage units and/or refrigerated refrigerated cases/units. The **"Vegetables and Fruits Cold Chain Financial Leasing Support Program Protocol"** signed between KOSGEB and our Bank for the purpose of continuing.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TRY"))

**INTERIM ACTIVITY REPORT (Continued)**

**VII. 2023 II. Interim Activities (Continued)**

Within the scope of the FOSTER Project titled **"Strengthening the Private Sector to Promote Social and Economic Cohesion in Türkiye (FOSTER)"**, financed by the European Union ("EU"), of which the German Development Bank ("KfW") is the program manager, KOSGEB Supports to businesses that are not banned Employment Contracted SME Financing Support Program (FOSTER), in which a part of the profit share is covered by KOSGEB, continued until 30 June 2023 in order to enable them to use financing under favorable conditions.

**"Ankara Province Kahramankazan District Emergency Support Financing"** application between KOSGEB and our Bank continued until 30 June 2023 in order to provide financial support under appropriate conditions to businesses that were affected by the explosion and fire in Kahramankazan District of Ankara and documented this situation from the relevant official authorities (Governorship/District Governorship).

In order to provide financial support under appropriate conditions to businesses that were affected by the earthquake in Düzce and documented this situation from the relevant official authorities (Governorship/District Governorship), the **"Düzce Province Emergency Support Financing"** application between KOSGEB and our Bank continued until 30 June 2023.

KOSGEB in order to provide financial support under appropriate conditions to businesses operating in small industrial sites, organized industrial zones or outside them (workplace clustering and similar) in our provinces affected by the earthquake that occurred on 06 February 2023 and the subsequent tremors and documenting this situation from the relevant official authorities. **"2023 Earthquake Emergency Support Financing"** practices continue between our Bank and our Bank.

Protocols were signed between the **Credit Guarantee Fund (KGF)** and our Bank within the scope of support packages in order to reduce the negative impact of the epidemic conditions on businesses and to support investments and made available to the beneficiaries. In this context;

The **"Education Support Package"**, which was created to finance the operating expenses of private education institutions defined in subparagraph c of the first paragraph of Article 2 of the Private Education Institutions Law No. 5580, which has difficulties in meeting personnel expenses, continues.

The **"Investment Support Package"** created to meet financing demands under favorable conditions for all SMEs and non-SME businesses that need collateral support to meet their financing needs within the scope of new or ongoing investments that will increase their production and employment capacities (with priority being given to companies operating in the manufacturing industry or exporting). " continues.

**The New Housing Finance Program Support Package**, which was created to finance the operating expenses of the construction companies operating in the construction sector, which signed a guarantor agreement with our Bank within the scope of the housing construction to be carried out within the framework of the New Housing Finance Program, continues.

**The Housing Construction Support Package**, which was created to provide financial support for the operating expenses of construction companies operating in the construction sector, continues.

**The Digital Transformation Support Package**, which was created to provide financial support for the completion of the digital transformation processes of SMEs operating in the manufacturing industry, continues.

Enterprises operating in technology development zones and specialized technology development zones within the scope of Law No. 4691, enterprises operating in Technology Development Centers (TEKMER) by KOSGEB, enterprises that have received Design Center Certificate and/or R&D Center Certificate from the Ministry of Industry and Technology under Law No. 5746 and the **"Technology Support Package"**, which was created to finance the investment and investment-related operating expenses of the enterprises with a Patent or Technological Product Experience Certificate (TUR).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS OF 30 JUNE 2023**

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

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**INTERIM ACTIVITY REPORT (Continued)**

**VII. 2023 II. Interim Activities (Continued)**

The "**EYT Support Package**", which was created within the framework of the Law No. 7438 dated March 03, 2023, to meet the financing needs of SMEs and non-SME companies that will pay severance pay due to retirement, continues.

The "**Entrepreneur Support Package**", which was created to support innovation and high technology production by facilitating access to finance for all entrepreneurs, especially young entrepreneurs, continues.

Within the framework of participation banking principles; The "**Export Support Package**", which was created to finance the working capital needs of SMEs operating in exporting or foreign exchange earning sectors and SMEs that are not currently exporters but have export potential, has been prepared and continues to provide support to our SMEs.

The "**Business Expenditures Support Package**", which was created to finance the working capital needs of SMEs and non-SME companies, continues.

The "**Manufacturing Industry Support Package**", which was created within the framework of the Treasury Supported Guarantee System, continues in order to facilitate the access to finance of SMEs and non-SME enterprises operating in the manufacturing industry sectors.

The "Foreign Exchange Earning Activities Support Package", which was created to increase the number of existing exporting companies and the export volumes realized, to be used by SMEs and non-SME companies operating in the exporting or foreign exchange earning services sectors, continues. The "**Entrepreneur Support Package**", which was created to support innovation and high technology production by facilitating access to finance for all entrepreneurs, especially young entrepreneurs, continues.

Real person businesses that want to open a new workplace for the production of goods and services, self-employment or commercial activity or operate on the basis of a business idea, legal person whose shares are owned by women entrepreneurs **at least 50%** of the total as of the date of application The "**Women Entrepreneur Support Package**", which was created to strengthen the women's entrepreneurship ecosystem by supporting enterprises and women's cooperatives, of which **at least 50%** of their members are women, continues.

Within the scope of the Joint Financing Support Program carried out in cooperation with KOSGEB and Development Agencies, the "**Regional-Oriented SME Support Package**", which was created to finance the operation and investment expenditures of SMEs that are entitled to support, especially those operating in the manufacturing industry, continues.

Due to the earthquake disaster that occurred on February 6, 2023, the "**Earthquake Zone Operation Expenses Support**" was created in order to maintain the activities of the businesses operating in the provinces of Kahramanmaraş, Gaziantep, Şanlıurfa, Diyarbakır, Adana, Adıyaman, Malatya, Osmaniye, Elazığ, Hatay and Kilis. package continues.

The "**Investment-Project Finance Support Package**", which was created to finance the investment and investment-related operating expenses of our SME and non-SME customers, who are planning to invest, primarily the enterprises operating in the manufacturing industry and exporting enterprises, continues.

Within the scope of the construction works defined in the Law No. 4734, the "**Construction Works Support Package**", which was created for the benefit of the contracting/construction companies (contractor) that signed contracts before 2022 and continued their commitments under this contract, and the companies that signed subcontractors within the scope of the aforementioned contracts (subcontractor), continues.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

#### INTERIM ACTIVITY REPORT (Continued)

##### VII. 2023 II. Interim Activities (Continued)

The “**Instant Financing**” product application, which enables our customers to finance the products they want to buy from stores that have an agreement with our Bank, through digital channels at any time of the day and without the need to go to the branch, continues.

“**Yeni Evim**” **Housing Finance and Extended Housing Finance** product applications continue in order to enable our customers to own housing with affordable financing conditions.

In return for the treasury guarantee of the Government of the Republic of Türkiye, the “**Immediate Working Capital Loan**” product to support SMEs in Türkiye continues by the management of the Islamic Development Bank (IDB) in favor of Ziraat Katılım.

In order to ensure that our middle-income customers own a home with affordable financing conditions, “**Yeni Evim**” **Housing Finance** product applications continue, and a total of 714 disbursements were made.

Within the framework of sustainability, the product application of the “**Housing Heat Insulation Loan**”, which enables real person customers to finance their thermal insulation and roof insulation expenses under appropriate conditions, continues in order to increase the efficiency and reduce the costs of the energy they use for heating in residential areas, as well as to reduce carbon emissions.

Within the scope of sustainability, our “**Agriculture Financing**” product studies have been completed in order to provide all kinds of financial support in line with the principles of Participation Banking in order to develop agriculture in our country, increase mechanization and agricultural lands in agriculture, strengthen livestock, minimize imports and maximize exports in agriculture, in order to realize conscious, high quality and efficient production.

In addition to the Ziraat Katılım Mobile POS application, efforts are underway to implement the **Ziraat Katılım Mobile POS Basic Sales Application**, which can be offered to member businesses subject to the Communiqué 507 and 509 of the Tax Procedure Law, in 2023.

With the **TR QR code** infrastructure, payment flow is supported in our cards and POS, and our efforts to expand our POS devices are continuing.

Work has begun on the implementation of our **Commercial Credit Card** product, which allows business owners to finance their needs and easily track their expenditures.

In order to increase the widespread use of **TROY**, the domestic and national card scheme in card payments, **TROY** card issuance will be started and made available to our customers.

#### ATM and OPEN BANKING

In March 2023, all of our ATMs were combined with Ziraat Bank, Halkbank, Vakıfbank, PTT, Vakıf Katılım Bankası and Emlak Katılım Bankası ATMs and included in Türkiye's ATM Center (TAM ATM) structure, covering all parts of our country with approximately 20.000 ATMs.

The ATM infrastructure Ocean 2.0 application was expanded to all ATMs in June.

Our bank's accounts can be monitored from other bank applications and money transfer transactions can be made. (HHS)

The customer's account and details in other banks will be displayed on the Internet and Mobile Branch. It will be possible to transfer money from these accounts. (YÖS)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**INTERIM ACTIVITY REPORT (Continued)**

**VII. 2023 II. Interim Activities (Continued)**

**WEB, MOBILE and INTERNET BRANCH:**

Somalia corporate website has been put into service of our customers.

Our device activation structure has been updated in order to enable faster login and transaction with the device identification method from Katılım Mobile. With our new flows, our customers will be able to perform their transactions quickly and safely on secure mobile devices.

Katılım Mobile Document Send function has been put into service of our customers so that documents that are missing or need to be updated from Katılım Mobile are completed without going to the branch.

It is now possible to perform Forgot Password, Get Password, Sim Card Verification and Mobile Phone Number Update operations on Katılım Mobil with the new TR ID card and face recognition.

Individual applications can be received via video call from Katılım Mobil. Account opening applications for commercial and private companies can be received from Katılım Mobil, thus allowing distance applications to be made for all customer segments.

In order to make instant updates on the visuals displayed on the Internet Branch and the Participation Mobile login screens, updates will be made through our Content Management System. Internet/Mobile Banking User Experience Improvements, frontend arrangements and our infrastructure will be renewed.

It will be ensured that stock purchase/sell transactions can be made through our channels.

Togg vehicle financing applications will be received from Katılım Mobil.

Our total number of channel customers has increased by 32% compared to the end of 2022. Our number of active internet banking customers reached 610,287 in the second quarter of 2023.

**CUSTOMER CONTACT CENTER AND QUALITY:**

With remote authentication, it will be possible to open accounts for legal and private companies.

By performing remote authentication via video call, our customers will be able to update their transaction limits without going to the branch.

All voice calls of our customers calling the call center regarding our products and services will be analyzed with the support of artificial intelligence.

It is planned to develop an automatic call system that will completely eliminate the outbound call operation, which takes about 3 minutes on average.

It is planned to develop the infrastructure in which satisfaction surveys can be made about our customer's product and service usage.

It is planned to develop methods by which voice biometrics can be obtained and to use it as an alternative authentication element in channels.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**INTERIM ACTIVITY REPORT (Continued)**

**VII. 2023 II. Interim Activities (Continued)**

**Studies of the Department of Information Systems Management**

**Important studies completed and commissioned within the scope of our Information Systems activities;**

With the Open Banking - Account Transactions and Payment Order Initiation project, other bank account display and payment order initiation services were put into use, enabling control and transaction processing on all accounts with a single mobile application, a single password, and a single security verification.

With the Daily Evaluated Account (Cash Account) project, the operational workload of our branches and head office sales teams was reduced, and customer dissatisfaction caused by operational errors was prevented.

With the "Certificate Request from Our Customers" project via the Participation Mobile and Internet Branch, branch personnel were able to request documents from customers in the digital environment and customers were able to send their documents to the bank digitally without coming to the branch.

With the Calculation of the Return and Cost Ratios of the Assets and Liabilities Items of the Bank's Balance Sheet, the Bank's profitability was measured in short and long terms in terms of stock and margin, and operational risk was eliminated by making manual calculations systematic.

With the Additional Developments of Ziraat Audit Internal Control Application, it was possible to identify customers with internal control detection on the Inter-Customer and My Participation Customer screens, and improvements were made to the Headquarters Control Reports.

With the project of Integrating the Findings of Branch Audits into Intervision, Creating Business Processes and IS Audit Screens, it was possible to identify customers with inspection detections on the Inter-Customer and My Participation Customer screens, and improvements were made in the report outputs.

**Retail Banking Group Presidency**

Retail Banking Group Presidency As Retail Banking, we continued to provide innovative, customer-oriented service in all channels in line with our strategic goals, and achieved a 26% growth performance in funds and financing in the second quarter. In the second quarter of the year, we opened 8 new branches that had a multiplier effect on our performance. Thus, we have reached 173 branches in 56 provinces, 153 of which are retail, 14 commercial and 6 corporate.

Demand for our financial leasing products, which have many conveniences such as access to long-term financing and payment opportunities in line with cash flow, continued to increase in the second quarter as well. As retail banking, we have reached a Financial Leasing balance of TRY 18.1 Billion, with an increase of 56% in the 2nd quarter.

With our Currency Protected Deposit products, we offer our customers important advantages such as not being harmed by exchange rate differences, profit share return, and zero withholding tax. As of the second quarter of 2023, the amount of currency protected deposits at our Bank reached TRY 54.4 Billion.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**INTERIM ACTIVITY REPORT (Continued)**

**VII. 2023 II. Interim Activities (Continued)**

We will continue to meet all the financial needs of our customers with our agricultural products in the second quarter of the state-supported agricultural financing that we started in the first quarter. Our bank, which is the first and only participation bank in the field of agriculture, continued its development rapidly.

On the way to becoming the main bank of SMEs, which form the basis of economic growth, support packages were offered to our SMEs in cooperation with KGF and KOSGEB at the point of financing and guarantee. In this sense, we continued to make positive discrimination especially for our SMEs located in the earthquake zone.

In the first quarter of 2023, we continued to increase our support to the real sector with a focus on producers and exports. Work continued on the first phase of our SME value proposition project, which will meet the financial needs of SMEs 360 degrees with our products and services. In this context, new innovations in Cash Transaction, Foreign Trade and Insurance were introduced in order to facilitate the financial transactions of our customers.

**VIII. Expectations regarding the post 2023 II. Interim period**

In the second quarter of 2023, the most important topics of the global economic agenda were the fight against inflation and recession concerns. At the end of the first half of the year, it was observed that the concerns about the banking sector remained on the agenda, although they decreased. On the other hand, the continuation of geopolitical uncertainties brought about by the Russia-Ukraine war remained as the biggest threat to the global economy. Economic administrations in developed and developing countries have spent the most intensive work to reverse the inflationary trend. While some countries have adopted hard interventions with radical decisions, some countries have taken steps for soft transitions. On the one hand, although the effects of the interest rate hikes we saw in the first quarter were observed, new interest rate hikes took place in the second quarter; On the other hand, steps were taken to limit consumption on a global scale with the updates in loan disbursement conditions. As a result of all these, inflation in the global economy remained above the average in the long run, despite a downward trend.

In the USA, the slowdown in growth rate and the continuation of interest rate hikes were observed in the first quarter of the year; The fact that annual inflation was below expectations in the second quarter of the year brought up the possibility of interrupting the interest rate hike cycle. At the FED meeting held in June, the policy interest rate was kept constant at the 5.00 - 5.25% band for the first time after the fifteen-month upward trend, in line with the expectations. On the other hand, within the scope of financial tightening, revisions in capital requirements and credit conditions are envisaged. In the second quarter, a consensus was reached on the debt ceiling law, which is one of the issues that occupied the US economy the most, and the situation was prevented from turning into a crisis. Average hourly earnings, which were above the inflation rate, in May and June, after two years, signaled that the purchasing power of employees began to increase. With the effect of the fight against inflation, an increase is expected in the unemployment rate in the second half of the year, and it is estimated that it will reach its peak in 2024. The fact that the manufacturing sector PMI index was below the 50 threshold level in May and June after the rise in April showed that the US economy continued its course in the contraction zone.

In the Euro Zone, the main agenda item in the second quarter of the year was the fight against inflation, as in the first quarter. While it was stated that decisive steps would not be given up until reaching the 2% inflation target, interest rate hikes continued in the second quarter. In the second half of the year, while the effects of current policies were monitored; It was emphasized that new interest rate hike decisions could be taken by the European Central Bank. While the continuation of the Russia-Ukraine war did not allow for the elimination of the problems in energy prices and security, the negative effects of the war continued to be one of the biggest obstacles to regional and global economic recovery.

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**INTERIM ACTIVITY REPORT (Continued)**

**VIII. Expectations regarding the post 2023 II. Interim period**

In the second quarter of the year, the main agenda item in developing countries as well as in developed countries was the struggle to reverse the inflationary environment. It is predicted that the upcoming period will be a recovery period with the increasing economic activity with the end of the strict epidemic measures in China; A growth rate of 5.4% is expected by the OECD for 2023. On the other hand, interest rates were cut in June to increase economic activity.

The second quarter of the year witnessed changes in both economic management and monetary policies in Türkiye. In our country, which struggled to alleviate the effects of the earthquake in February and left the election period behind, new policies were adopted with the changes in the economic management staff, and steps towards tightening with the aim of combating inflation continued. The Central Bank increased the policy rate from 8.5% to 15% at the MPC meeting in June, and updated the loan conditions and rates within the scope of tightening steps. In our country, which is expected to achieve a growth rate of 3.6% according to OECD forecasts for 2023, new interest rate increases and different tightening steps are expected to be taken in line with inflation targets in the second half of the year. The downward trend in inflation, which we witnessed in the first quarter of the year, continued in the second quarter as well.

The course of the Russia-Ukraine war in our country, which is very sensitive to global developments due to its geopolitical position, is one of the important topics to be followed in the second half of the year. In order to solve the high energy and commodity costs affecting the Turkish economy and the supply-side problems arising from them, studies have been carried out to increase alternatives through the discovery of new energy sources. In the upcoming period, it is foreseen that efforts will be made to bring inflation down to the desired levels, taking into account the targets related to growth and unemployment rates.

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**ZİRAAT KATILIM BANKASI ANONİM ŞİRKETİ**

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
STATEMENTS AND RELATED DISCLOSURES  
AT 31 DECEMBER 2022 WITH AUDITOR’S REPORT**

***(CONVENIENCE TRANSLATION OF CONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND  
FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE. I.B OF  
SECTION THREE)***



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH  
(See Note I b of Section Three)  
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi

**A. Audit of the Consolidated Financial Statements**

**1. Qualified Opinion**

We have audited the accompanying consolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi (the "Bank"), and its subsidiaries (collectively referred to as the "Group") which comprise the statement of consolidated balance sheet as at 31 December 2022, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, except for the effect of the matter on the consolidated financial statements described in the basis for qualified opinion section of our report, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated by the aforementioned regulations.

**2. Basis for Opinion**

As explained in Section Five Part II. 8.c.1 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 31 December 2022 include a free provision amounting to TL 1.004.000 thousand which consist of TL 20.000 thousand provided in prior period and TL 984.000 thousand recognized in the current year by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

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



### 3. Key Audit Matters

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

<b><i>Key Audit Matters</i></b>	<b><i>How the key audit matter was addressed in the audit</i></b>
<p><b><i>Expected credit losses for loans and receivables</i></b></p> <p>The Group has total expected credit losses for loans and receivables amounting to TL 2.717.036 thousand in respect to total loans and receivables amounting to TL 147.575.304 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2022. Explanations and notes related to expected credit losses provisions for loans and receivables are presented Section Three VII, Section Three VIII, Section Four II, Section Four IX-3, Section Five I-6 and Section Five II-8 in the accompanying consolidated financial statements as at 31 December 2022.</p> <p>The Group recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements effective in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment.</p>	<p>With respect to stage classification of loans and receivables and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Group within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>For important loan portfolios, we checked appropriateness of matters considered in methodology applied by the Group with TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions made by the Group's management in its expected credit losses calculations, we held discussions with management and evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations with our financial risk experts.</p>

<b><i>Key Audit Matters</i></b>	<b><i>How the key audit matter was addressed in the audit</i></b>
<p>The Group uses complex models derived from more than one system to calculate the expected loan loss provision. Information including past events, current conditions and macroeconomic estimates which are taken into account in expected loss provision accounting should be reasonable and supportable.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loans and receivables balances; the classification of loans and receivables as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans and receivables. Therefore, this area is considered as key audit matter.</p>	<p>We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors).</p> <p>Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology made within the year and the performance of the impairment models used.</p> <p>We have checked selected models used in determination of provisions for various loans and receivables portfolios with our financial risk experts by reperforming on a sample selection basis.</p> <p>We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</p> <p>For a selected sample, we checked accuracy of resultant expected credit losses calculations.</p> <p>To assess appropriateness of the Group's determination of staging for credit risk for loans and receivables within the framework of current regulations, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</p> <p>We evaluated the adequacy of the disclosures made in the consolidated financial statements regarding the provision for impairment of loans and receivables.</p>



#### **4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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



## **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

### **Additional Paragraph for Convenience Translation**

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29- Financial Reporting in Hyperinflationary Economies as of 31 December 2022. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Bank in accordance with IFRS.

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

Zeynep Uras, SMMM  
Partner

Istanbul, 15 February 2023

**THE CONSOLIDATED FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş AS OF  
31 DECEMBER 2022**

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

Phone: (212) 404 11 00

Facsimile: (212) 404 10 81

Website: www.ziraatkatilim.com.tr

E-mail: bilgi@ziraatkatilim.com.tr

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND DISCLOSURES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- AUDITOR'S REPORT

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

	Subsidiaries	Investments in Associates	Joint Ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2	ZKB Varlık Kiralama A.Ş.	-	-

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

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Alpaslan ÇAKAR  
Chairman of the Board

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

---

Metin ÖZDEMİR  
Member of the Board,  
General Manager

---

Mahmut Esfa EMEK  
Member of the Board,  
Member of the Audit Committee

---

Osman KARAKÜTÜK  
Vice President of Treasury  
Management and  
International Banking

---

Gürkan ÇAKIR  
Head of Financial  
Management Department

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

Name-Surname/Position : Erdem DENİZHAN / Financial Reporting Manager

Tel No : 0 216 559 22 56

Facsimile : 0 212 404 10 81

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# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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### SECTION ONE

#### GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bankası A.Ş. ("Group") is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TRY 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 4 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TRY 72.000 from TRY 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TRY 500.000 and by increasing the amount of internal resources by TRY 3.000 to TRY 1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on September 20, 2018, the paid-in capital of the Bank has been raised to TRY 1.750.000 by increasing the amount of cash by TRY 500.000. At the Parent Bank's Ordinary General Assembly for 2021 held on March 25, 2022, its paid-in capital was increased by TRY 900.000 in cash to TRY 2.650.000.

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

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

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

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

As of 31 December 2022 and 31 December 2021, main shareholders and capital amounts as follows:

Name of Shareholders	31 December 2022		31 December 2021	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. <sup>(*)</sup>	2.650.000	99,99999984	1.750.000	99,9999996
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. <sup>(**)</sup>	-	0,00000004	-	0,00000001
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş. <sup>(**)</sup>	-	0,00000004	-	0,00000001
Ziraat Teknoloji A.Ş.	-	0,00000004	-	0,00000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,00000004	-	0,00000001
<b>Total</b>	<b>2.650.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>100,00</b>

(\*) All of the shares of the of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury (“Treasury”) to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

(\*\*) On 26 December 2022, Ziraat Katılım Bankası A.Ş. shares held by Türkiye Sigorta A.Ş. were transferred to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş., Ziraat Katılım Bankası A.Ş., which is owned by Türkiye Hayat ve Emeklilik A.Ş. its shares were transferred to Ziraat İşletme Yönetim ve Gayrimenkul Geliştirme A.Ş.

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

Name	Title
<b>Board of Directors</b>	
Alpaslan ÇAKAR	Chairman
Fikrettin AKSU	Vice chairman of the BOD, Member of the Audit Committee, Member of Corporate Management Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Mahmut Esfa EMEK	Member of the BOD, Member of Audit Committee, Member of Pricing Committee, Associate Member of Credit Committee,
Ahmet BUÇUKOĞLU	Member of the BOD, Member of Credit Committee,
Mehmet BAŞIBÜYÜK	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Önder KIRMAN	Loan Allocation and Management
Ertuğrul İSPAHA	Corporate Banking
Seher Elif EKİCİ	Information Technologies and Operational Processes

The Bank's Chairman and Members of the Board of Directors, Members of the Audit Committee, General Manager and Deputy General Managers do not own any shares of the Bank

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Name / Trade Name	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş.	2.650.000	100,00	2.650.000	-
<b>Total</b>	<b>2.650.000</b>	<b>100,00</b>	<b>2.650.000</b>	<b>-</b>

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

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

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

The Bank can freely determine the profit participation rates arising from the operation of participation accounts or the estimated profit rate for investment proxies. The rate of participation in the loss participation accounts can be applied as one hundred percent.

As of 31 December 2022, the Parent Bank operates with a total of 156 branches (31 December 2021: 120 domestic, 1 abroad) including 155 branches in the country and the Sudan branch that started its operations as of 27 August 2020 abroad. As of 31 December 2022, the number of the Bank's personnel is 1.904 (31 December 2021: 1.529).

#### VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

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

None.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

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

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#### **SECTION TWO**

##### **CONSOLIDATED FINANCIAL STATEMENTS**

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2022

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Notes (V-I)	Current Period (31/12/2022)			Prior Period (31/12/2021)		
		TRY	FC	Total	TRY	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>21.635.778</b>	<b>37.540.469</b>	<b>59.176.247</b>	<b>7.906.952</b>	<b>21.137.037</b>	<b>29.043.989</b>
<b>1.1 Cash And Cash Equivalents</b>		<b>6.424.337</b>	<b>31.780.105</b>	<b>38.204.442</b>	<b>3.074.376</b>	<b>15.564.971</b>	<b>18.639.347</b>
1.1.1 Cash And Balances With Central Bank	(1)	6.310.803	18.663.442	24.974.245	3.066.213	12.224.478	15.290.691
1.1.2 Banks	(2)	134.657	13.116.663	13.251.320	9.647	3.340.493	3.350.140
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		21.123	-	21.123	1.484	-	1.484
<b>1.2 Financial Assets Measured At Fair Value Through Profit/Loss</b>	(3)	-	<b>2.133.604</b>	<b>2.133.604</b>	-	<b>1.795.316</b>	<b>1.795.316</b>
1.2.1 Government Securities		-	2.133.604	2.133.604	-	1.795.316	1.795.316
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>	(4)	<b>15.197.112</b>	<b>3.626.618</b>	<b>18.823.730</b>	<b>4.819.812</b>	<b>3.769.758</b>	<b>8.589.570</b>
1.3.1 Government Securities		15.139.990	3.626.618	18.766.608	4.151.159	3.769.758	7.920.917
1.3.2 Equity Securities		52.341	-	52.341	-	-	10.412
1.3.3 Other Financial Assets		4.781	-	4.781	658.241	-	658.241
<b>1.4 Derivative Financial Assets</b>	(5)	<b>14.329</b>	<b>142</b>	<b>14.471</b>	<b>12.764</b>	<b>6.992</b>	<b>19.756</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		14.329	142	14.471	12.764	6.992	19.756
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>99.369.290</b>	<b>50.812.921</b>	<b>150.182.211</b>	<b>36.662.193</b>	<b>31.065.684</b>	<b>67.727.877</b>
<b>2.1 Loans</b>	(6)	<b>84.712.509</b>	<b>41.627.471</b>	<b>126.339.980</b>	<b>33.940.247</b>	<b>24.648.305</b>	<b>58.588.552</b>
<b>2.2 Lease Receivables</b>	(6)	<b>14.356.192</b>	<b>6.879.132</b>	<b>21.235.324</b>	<b>4.090.120</b>	<b>5.456.144</b>	<b>9.546.264</b>
<b>2.3 Measured at Amortized Cost</b>	(7)	<b>2.715.329</b>	<b>2.608.614</b>	<b>5.323.943</b>	-	<b>1.327.957</b>	<b>1.327.957</b>
2.3.1 Government Securities		2.715.329	2.608.614	5.323.943	-	1.327.957	1.327.957
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Credit Losses (-)</b>		<b>2.414.740</b>	<b>302.296</b>	<b>2.717.036</b>	<b>1.368.174</b>	<b>366.722</b>	<b>1.734.896</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(8)	<b>274.644</b>	-	<b>274.644</b>	<b>307.881</b>	-	<b>307.881</b>
3.1 Assets Held for Sale		274.644	-	274.644	307.881	-	307.881
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES</b>	(9)	-	-	-	-	-	-
<b>4.1 Associates (Net)</b>		-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
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 Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(10)	<b>594.099</b>	<b>843</b>	<b>594.942</b>	<b>301.045</b>	<b>874</b>	<b>301.919</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(11)	<b>342.454</b>	-	<b>342.454</b>	<b>223.839</b>	-	<b>223.839</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		342.454	-	342.454	223.839	-	223.839
<b>VII. INVESTMENT PROPERTY (NET)</b>	(12)	-	-	-	-	-	-
<b>VIII. CURRENT TAX ASSET</b>		-	-	-	-	-	-
<b>IX. DEFERRED TAX ASSETS</b>	(13)	<b>788.020</b>	-	<b>788.020</b>	<b>301.329</b>	-	<b>301.329</b>
<b>X. OTHER ASSETS</b>	(14)	<b>925.248</b>	<b>73.157</b>	<b>998.405</b>	<b>550.677</b>	<b>58.127</b>	<b>608.804</b>
<b>TOTAL ASSETS</b>		<b>123.929.533</b>	<b>88.427.390</b>	<b>212.356.923</b>	<b>46.253.916</b>	<b>52.261.722</b>	<b>98.515.638</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2022

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES	Notes (V-II)	Current Period (31/12/2022)			Prior Period (31/12/2021)		
		TRY	FC	Total	TRY	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	105.446.074	67.693.024	173.139.098	29.714.656	48.219.141	77.933.797
<b>II. FUNDS BORROWED</b>	(2)	341.719	4.182.250	4.523.969	319.918	1.688.051	2.007.969
<b>III. MONEY MARKETS DEBTS</b>	(3)	57.003	7.498.996	7.555.999	3.784.645	-	3.784.645
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	4.394.241	-	4.394.241	4.360.022	-	4.360.022
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(5)	-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>	(6)	-	62.998	62.998	70.653	1.039	71.692
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	62.998	62.998	70.653	1.039	71.692
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VII. LEASE PAYABLES</b>	(7)	335.946	-	335.946	194.453	10	194.463
<b>VIII. PROVISIONS</b>	(8)	1.624.034	541.975	2.166.009	229.371	417.899	647.270
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		154.439	-	154.439	37.259	-	37.259
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		1.469.595	541.975	2.011.570	192.112	417.899	610.011
<b>IX. CURRENT TAX LIABILITY</b>	(9)	1.487.212	2	1.487.214	350.441	-	350.441
<b>X. DEFERRED TAX LIABILITY</b>	(10)	-	-	-	-	-	-
<b>XI. LIABILITIES FROM 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. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	1.341.748	2.597.654	3.939.402	1.341.500	1.314.363	2.655.863
12.1 Loans		1.341.748	2.597.654	3.939.402	1.341.500	1.314.363	2.655.863
12.2 Other Debt Instruments		-	-	-	-	-	-
<b>XIII. OTHER LIABILITIES</b>	(13)	2.056.100	1.317.502	3.373.602	920.890	1.266.851	2.187.741
<b>XIV. SHAREHOLDERS' EQUITY</b>	(14)	11.496.416	(117.971)	11.378.445	4.345.743	(24.008)	4.321.735
14.1 Paid-in capital		2.650.000	-	2.650.000	1.750.000	-	1.750.000
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(94.077)	-	(94.077)	(6.895)	-	(6.895)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		2.540.848	(117.971)	2.422.877	43.265	(24.008)	19.257
14.5 Profit Reserves		2.297.860	-	2.297.860	1.739.171	-	1.739.171
14.5.1 Legal Reserves		120.251	-	120.251	92.316	-	92.316
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		2.131.542	-	2.131.542	1.600.788	-	1.600.788
14.5.4 Other Profit Reserves		46.067	-	46.067	46.067	-	46.067
14.6 Profit or (Loss)		3.840.272	-	3.840.272	558.689	-	558.689
14.6.1 Prior Period Profit/Loss		-	-	-	-	-	-
14.6.2 Current Period Profit/Loss		3.840.272	-	3.840.272	558.689	-	558.689
<b>TOTAL LIABILITIES</b>		<b>128.580.493</b>	<b>83.776.430</b>	<b>212.356.923</b>	<b>45.632.292</b>	<b>52.883.346</b>	<b>98.515.638</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2022

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (V-III)	Current Period (31/12/2022)			Prior Period (31/12/2021)		
		TRY	FC	Total	TRY	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>28.889.269</b>	<b>34.877.714</b>	<b>63.766.983</b>	<b>10.306.712</b>	<b>24.268.204</b>	<b>34.574.916</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(1)</b>	<b>21.569.718</b>	<b>23.621.764</b>	<b>45.191.482</b>	<b>8.271.172</b>	<b>21.332.293</b>	<b>29.603.465</b>
1.1 Letters of Guarantee		21.211.314	16.733.373	37.944.687	8.236.824	13.823.025	22.059.849
1.1.1 Guarantees Subject to State Tender Law		370.605	10.953.388	11.323.993	361.062	6.175.690	6.536.752
1.1.2 Guarantees Given for Foreign Trade Operations		15.639.249	-	15.639.249	7.229.114	-	7.229.114
1.1.3 Other Letters of Guarantee		5.201.460	5.779.985	10.981.445	646.648	7.647.335	8.293.983
1.2 Bank Acceptances		-	74.133	74.133	-	33.018	33.018
1.2.1 Import Letter of Acceptance		-	74.133	74.133	-	33.018	33.018
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		846	5.650.093	5.650.939	20.348	5.053.199	5.073.547
1.3.1 Documentary Letters of Credit		846	5.650.093	5.650.939	20.348	5.053.199	5.073.547
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		340.558	1.164.165	1.504.723	14.000	2.419.706	2.433.706
1.7 Other Collaterals		17.000	-	17.000	-	3.345	3.345
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>2.401.997</b>	<b>428.407</b>	<b>2.830.404</b>	<b>1.386.946</b>	<b>313.520</b>	<b>1.700.466</b>
2.1 Irrevocable Commitments		2.401.997	428.407	2.830.404	1.386.946	313.520	1.700.466
2.1.1 Forward asset purchase commitments		292.171	428.407	720.578	240.344	313.520	553.864
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		748.093	-	748.093	448.457	-	448.457
2.1.7 Tax and Fund Liabilities from Export Commitments		95.161	-	95.161	22.637	-	22.637
2.1.8 Commitments for Credit Card Limits		544.655	-	544.655	141.095	-	141.095
2.1.9 Commitments for Credit Cards and Banking Services Promotions		458	-	458	265	-	265
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		721.459	-	721.459	534.148	-	534.148
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>4.917.554</b>	<b>10.827.543</b>	<b>15.745.097</b>	<b>648.594</b>	<b>2.622.391</b>	<b>3.270.985</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		4.917.554	10.827.543	15.745.097	648.594	2.622.391	3.270.985
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	648.594	853.108	1.501.702
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	-	-	39.918	673.050	712.968
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	-	-	608.676	180.058	788.734
3.2.2 Other Forward Buy/Sell Transaction		4.917.554	10.827.543	15.745.097	-	1.769.283	1.769.283
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>131.287.786</b>	<b>32.489.349</b>	<b>163.777.135</b>	<b>70.066.806</b>	<b>20.237.127</b>	<b>90.303.933</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>8.152.999</b>	<b>13.565.085</b>	<b>21.718.084</b>	<b>5.132.707</b>	<b>6.230.163</b>	<b>11.362.870</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		3.865.882	4.149.611	8.015.493	3.396.918	259.899	3.656.817
4.3 Checks Received for Collection		3.857.006	247.942	4.104.948	1.527.859	411.526	1.939.385
4.4 Commercial Notes Received for Collection		429.039	26.523	455.562	207.655	51.962	259.617
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1.072	2.940.304	2.941.376	275	1.433.786	1.434.061
4.8 Custodians		-	6.200.705	6.200.705	-	4.072.990	4.072.990
<b>V. PLEDGES RECEIVED</b>		<b>123.134.787</b>	<b>18.924.264</b>	<b>142.059.051</b>	<b>64.934.099</b>	<b>14.006.964</b>	<b>78.941.063</b>
5.1 Marketable Securities		1.924.744	50.069	1.974.813	2.974.670	64.324	3.038.994
5.2 Guarantee Notes		8.077.568	171.660	8.249.228	3.295.056	462.109	3.757.165
5.3 Commodity		8.401.325	3.859.726	12.261.051	2.903.233	2.154.017	5.057.250
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		86.435.593	12.437.005	98.872.598	44.854.726	8.584.587	53.439.313
5.6 Other Pledged Items		18.295.557	2.405.804	20.701.361	10.906.414	2.741.927	13.648.341
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>160.177.055</b>	<b>67.367.063</b>	<b>227.544.118</b>	<b>80.373.518</b>	<b>44.505.331</b>	<b>124.878.849</b>

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
FOR YEAR ENDED 31 DECEMBER 2022**

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

<b>ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>			
<b>INCOME/EXPENSE ITEMS</b>	<b>Notes (V-IV)</b>	<b>Current Period 01/01-31/12/2022</b>	<b>Prior Period 01/01-31/12/2021</b>
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>20.231.260</b>	<b>6.259.916</b>
1.1 Profit Share on Loans		13.852.733	4.717.524
1.2 Profit Share on Reserve Deposits		57.944	160.424
1.3 Profit Share on Banks		177.405	3.070
1.4 Profit Share on Money Market Placements		-	-
1.5 Profit Share on Marketable Securities Portfolio		4.848.469	801.333
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		43.356	21.628
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		4.557.941	685.240
1.5.3 Financial Assets Measured at Amortised Cost		247.172	94.465
1.6 Financial Lease Income		1.257.347	553.946
1.7 Other Profit Share Income		37.362	23.619
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>12.488.773</b>	<b>4.745.377</b>
2.1 Profit Share Expense on Participation Accounts		10.604.501	3.234.156
2.2 Profit Share Expense on Funds Borrowed		539.926	296.481
2.3 Profit Share Expense on Money Market Borrowings		431.205	570.506
2.4 Expense on Securities Issued		851.132	609.763
2.5 Lease Profit Share Expense		52.128	30.475
2.6 Other Profit Share Expenses		9.881	3.996
<b>III. NET PROFIT SHARE INCOME/EXPENSE (I - II)</b>		<b>7.742.487</b>	<b>1.514.539</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>245.945</b>	<b>147.334</b>
4.1 Fees and Commissions Received		524.704	232.252
4.1.1 Non-cash Loans		292.805	156.942
4.1.2 Other		231.899	75.310
4.2 Fees and commissions paid (-)		278.759	84.918
4.2.1 Non-cash Loans		-	-
4.2.2 Other		278.759	84.918
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>774</b>	<b>-</b>
<b>VI. NET TRADING INCOME (Net)</b>	<b>(4)</b>	<b>1.214.691</b>	<b>214.813</b>
6.1 Capital Market Transaction Gains / Losses		909.591	1.026
6.2 Gains/ Losses From Derivative Financial Instruments		144.979	(65.861)
6.3 Foreign Exchange Gains / Losses		160.121	279.648
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>876.254</b>	<b>551.638</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>10.080.151</b>	<b>2.428.324</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>1.869.894</b>	<b>958.562</b>
<b>X. OTHER PROVISIONS (-)</b>	<b>(6)</b>	<b>1.061.736</b>	<b>30.041</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>798.367</b>	<b>317.383</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>886.388</b>	<b>392.167</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>5.463.766</b>	<b>730.171</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XVI)</b>	<b>(8)</b>	<b>5.463.766</b>	<b>730.171</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(1.623.494)</b>	<b>(171.482)</b>
18.1 Current Tax Provision		(2.911.395)	(373.740)
18.2 Expense Effect of Deferred Tax (+)		(9.407)	(78.530)
18.3 Income Effect of Deferred Tax (-)		1.297.308	280.788
<b>XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)</b>	<b>(10)</b>	<b>3.840.272</b>	<b>558.689</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 (XX-XXI)</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 (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSS (XVIII+XXIV)</b>	<b>(11)</b>	<b>3.840.272</b>	<b>558.689</b>
Earnings per share income/loss (Full TRY)		1,6279	0,3193

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

## ZİRAAT KATILIM BANKASI A.Ş.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2022

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 01/01/2022 - 31/12/2022	Prior Period 01/01/2021 - 31/12/2021
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>3,840,272</b>	<b>558,689</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>2,316,438</b>	<b>28,773</b>
<b>2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss</b>	<b>(87,182)</b>	<b>173</b>
2.1.1 Tangible Assets Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	(109,339)	211
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	289	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	21,868	(38)
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>2,403,620</b>	<b>28,600</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	3,204,826	38,088
2.2.3 Gains/losses from Cash Flow Hedges	-	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(801,206)	(9,488)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>6,156,710</b>	<b>587,462</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss				Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss				Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Total Equity Excluding Minority Shares	Minority Shares	Total Shareholders' Equity
	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	7	8	9	10
<b>PRIOR PERIOD</b>														
<b>31 DECEMBER 2021</b>														
<b>I. Prior Period End Balance</b>	1.750.000	-	-	261.513	-	(7.068)	-	-	(9.343)	-	1.098.041	641.130	-	3.734.273
<b>II. Adjustments in Accordance with TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>	1.750.000	-	-	261.513	-	(7.068)	-	-	(9.343)	-	1.098.041	641.130	-	3.734.273
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	173	-	-	28.600	-	-	-	-	-
<b>V. Capital Increase by Cash</b>	-	-	-	-	-	-	-	-	-	-	558.689	-	-	-
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VII. Paid-in Capital Inflation Adjustment Difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds to Shares</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/Decrease by Other Changes (*)</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	641.130	(641.130)	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	638.562	(638.562)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	2.568	(2.568)	-	-	-
<b>Period End Balance (III+IV.....+X+XI)</b>	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	-	558.689	4.321.735
<b>CURRENT PERIOD</b>														
<b>31 DECEMBER 2022</b>														
<b>I. Prior Period End Balance</b>	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735
<b>II. Adjustments in Accordance with TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>III. Adjusted Beginning Balance (I+II)</b>	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	(87.471)	289	-	2.403.620	-	-	-	-	-
<b>V. Capital Increase by Cash</b>	900.000	-	-	-	-	-	-	-	-	-	3.840.272	6.156.710	-	6.156.710
<b>VI. Capital Increase by Internal Sources</b>	-	-	-	-	-	-	-	-	-	-	-	900.000	-	900.000
<b>VII. Paid-in Capital Inflation Adjustment Difference</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IX. Subordinated Debt Instruments</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>X. Increase/decrease by other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>XI. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Period end Balance (III+IV.....+X+XI)</b>	2.650.000	-	-	261.513	-	(94.366)	289	-	2.422.877	-	2.297.860	-	3.840.272	11.378.445

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

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
		Current Period 01/01/2022 - 31/12/2022	Prior Period 01/01/2021 - 31/12/2021
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>7.465.717</b>	<b>1.476.308</b>
1.1.1 Profit Share Income Received		17.118.441	5.319.303
1.1.2 Profit Share Expense Paid		(9.244.138)	(3.939.158)
1.1.3 Dividend Received		774	-
1.1.4 Fees and Commissions Received		786.063	284.498
1.1.5 Other Income		1.199.956	295.913
1.1.6 Collections from Previously Written-off Loans		380.055	370.638
1.1.7 Payments to Personnel and Service Suppliers		(798.367)	(317.383)
1.1.8 Taxes Paid		(1.854.974)	(155.112)
1.1.9 Others		(122.093)	(382.391)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>16.013.785</b>	<b>4.121.148</b>
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(342.655)	(978.818)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(6.902.199)	(5.165.109)
1.2.3 Net (Increase) / Decrease in Loans		(63.868.472)	(20.025.767)
1.2.4 Net (Increase) / Decrease in Other Assets		(12.079.591)	(4.769.950)
1.2.5 Net Increase / (Decrease) in Bank Funds		(3.735.381)	1.278.436
1.2.6 Net Increase / (Decrease) in Other Funds		95.726.345	30.198.802
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		2.506.334	575.835
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities		4.709.404	3.007.719
<b>I. Net Cash Provided from Banking Operations</b>		<b>23.479.502</b>	<b>5.597.456</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(10.867.099)</b>	<b>(3.174.968)</b>
2.1 Cash Paid for Acquisition of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	-
2.2 Cash Obtained from Disposal of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	-
2.3 Purchases of Property and Equipment		(538.972)	(183.248)
2.4 Disposals of Property and Equipment		182.994	8.310
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(12.431.232)	(6.580.875)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		5.651.615	3.580.845
2.7 Purchase of Financial Assets Measured at Amortized Cost		(3.731.504)	-
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		-	-
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>115.130</b>	<b>743.547</b>
3.1 Cash Obtained from Funds Borrowed And Securities Issued		16.220.079	12.945.146
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(16.808.842)	(12.144.495)
3.3 Issued Equity Instruments		812.529	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(108.636)	(57.104)
3.6 Other		-	-
<b>IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents</b>	(1)	<b>367.400</b>	<b>207.266</b>
<b>V. Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)</b>	(1)	<b>13.094.933</b>	<b>3.373.301</b>
<b>VI. Cash And Cash Equivalents At The Beginning Of The Period</b>	(1)	<b>8.059.458</b>	<b>4.686.157</b>
<b>VII. Cash And Cash Equivalents At The End Of The Period</b>	(1)	<b>21.154.391</b>	<b>8.059.458</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2022

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION		
	Current Period (*) (31/12/2022)	Prior Period (*) (31/12/2021)
<b>I. DISTRIBUTION OF PERIOD PROFIT</b>		
1.1 Period Profit	5.463.766	730.171
1.2 Taxes Payable and Legal Obligations (-)	1.623.494	171.482
1.2.1 Corporate Tax (Income Tax) (**)	2.911.395	373.740
1.2.2 Income Tax Deduction	-	-
1.2.3 Other Taxes and Legal Obligations	(1.287.901)	(202.258)
<b>A. NET PROFIT (1.1-1.2)</b>	<b>3.840.272</b>	<b>558.689</b>
1.3 Previous Periods Loss (-)	-	-
1.4 First Order Legal Reserve (-)	-	27.934
1.5 Legal Funds Required to Leave and Save at the Bank (-)	-	-
<b>B. DISTRIBUTABLE NET PROFIT [(A- (1.3 + 1.4 + 1.5)]</b>	<b>3.840.272</b>	<b>530.755</b>
1.6 First Dividend To Shareholders (-)	-	-
1.6.1 To Shareholders	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 Participation in Redeemed Certificates	-	-
1.6.4 To Profit Participation Bonds	-	-
1.6.5 To Profit and Loss Sharing Certificate Holders	-	-
1.7 Dividend to Personnel (-)	-	-
1.8 Dividend to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Shareholders	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 Participation in Dividends	-	-
1.9.4 Profit Participation Bonds	-	-
1.9.5 Profit and Loss Sharing Certificate Holders	-	-
1.10 Second Legal Reserve Fund (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves (***)	-	530.755
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 Reserves Distributed	-	-
2.2 Second Order Legal Reserves (-)	-	-
2.3 Share to Shareholders (-)	-	-
2.3.1 Shareholders	-	-
2.3.2 To Privileged Stock Owners	-	-
2.3.3 Participation in Redeemable Certificates	-	-
2.3.4 To Profit Participation Bonds	-	-
2.3.5 To Profit and Loss Sharing Certificate Holders	-	-
2.4 Share to Personnel (-)	-	-
2.5 Share to the Board of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 Shareholders (***)	-	0,3193
3.2 Shareholders (%)	-	31,9250
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 Shareholders	-	-
4.2 Shareholders (%)	-	-
4.3 To To Owners of Privileged Shares	-	-
4.4 To Owners of Privileged Shares (%)	-	-

(\*) Profit distribution is decided by the General Assembly of the Parent Bank. As of the preparation date of the consolidated financial statements, the General Assembly meeting for 2022 has not been held yet.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

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

Benchmark Interest Rate Reform - Phase 2, which brings amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective January 1, 2021 was published. With the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. These changes did not have a significant impact on the financial position or performance of the Group. As of 31 December 2022, the Group has no hedging transactions based on benchmark interest rate.

On 20 January 2022, the Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards. Accordingly, it has been stated that companies applying TFRS are not required to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies. As of 31 December 2022, no new announcement has been made by KGK in this context, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated 31 December 2022.

The tension between Russia and Ukraine since the beginning of 2022 has turned into a crisis and a hot conflict and continues as of the date of the report. The Bank does not have operations in either country, and the said crisis is not expected to have a direct impact on the Bank's operations. The developments are followed and their estimated effects are evaluated within the scope of the relevant accounting standards and reflected in the financial statements.

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

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

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

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

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

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

**III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES**

**Consolidation principles applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated 8 November 2006 and the “Consolidated Financial Statements” (“TFRS 10”).

**1. Consolidation principles for subsidiaries:**

Subsidiaries (including special purpose entity) are all entities, in which the Parent Bank has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

According to the full consolidation method, 100% of the balance sheet, profit or loss statement and off-balance sheet items of the subsidiaries are consolidated with the balance sheet, profit or loss statement and off-balance sheet items of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. There are no minority rights in the consolidated net income of the subsidiary.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (Continued)

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

31 December 2022				
Title	Address (City / Country)	Main Activities	Group's Share Percentage (%)	Direct and Indirect Partnership Rates (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Issuance of Lease Certificate	100	100

Ziraat Katılım Varlık Kiralama A.Ş was established and registered to the trade registry in 22 January 2016 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Turkey”. Ziraat Katılım Varlık Kiralama A.Ş has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TRY 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

#### 2. Consolidation principles of associates and joint ventures:

As of 31 December 2022, the Group has no subsidiaries and jointly controlled entities.

#### 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 are initially recorded at their fair values. In the periods following the recording of derivative transactions; Depending on whether the fair value is positive or negative, the fair value difference of derivative financial assets is reflected to profit or loss or the fair value difference of derivative financial liabilities is reflected in the balance sheet. Differences in fair value as a result of the valuation are accounted for under profit/loss from derivative financial transactions and foreign exchange gain/loss in the commercial profit/loss item in the profit or loss statement.

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

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

Profit share income is recognized according to the internal rate of return method, which equates to the present net value of the future cash flows of the financial asset determined in TFRS 9, and is recorded on an accrual basis.

Profit share incomes are recognized in accordance with internal rate of return method. The bank started to calculate rediscounts for non-performing loans as of 1 January 2018. And the Bank calculates expense accrual in accordance with the unit value calculation method on participation accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TRY"))

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES**

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Commission income from cash loans are transferred to income accounts in accordance with TFRS 15 Revenue from Customer Contracts standard by using internal rate of return method depending on the periodicity principle. Other fee and commission expenses are recorded in the expense account as soon as they are paid.

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of Bank, if the Bank is a legal party to these instruments.

The Parent Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition. Financial assets basically constitute the commercial activities and operations of the Bank. These instruments have the feature of revealing, influencing and reducing the liquidity and credit risk in the financial statements.

**Classification and Measurement Within the Scope of TFRS 9**

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by; "Business Model Assessment" and "Contractual Cash Properties Test" are performed to determine the classification of financial assets.

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

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

Financial assets at the fair value through profit or loss are initially recognized at fair value. All gains and losses arising from these valuations are reflected in the profit or loss statement. Among the financial assets whose fair value difference is reflected in profit or loss, lease certificates traded in BIST are valued at the weighted average clearing prices formed in BIST at the balance sheet date, and financial assets not traded in BIST are valued with the prices of the Central Bank of Turkey. Gains and losses resulting from the valuation are included in the profit/loss accounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TRY"))

**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

**Equity investments**

At the time of initial recording, the Bank recognizes that the fair value of an investment in an equity instrument within the scope of TFRS 9 is not held for commercial purposes or is a contingent consideration recognized in the financial statements of the acquirer in a business combination to which TFRS 3, "Business Combinations" applies. An irrevocable choice may be made to include the changes in the other comprehensive income statement. The Bank makes the said choice separately for each financial instrument.

The relevant fair value differences recognized in the other comprehensive income statement cannot be transferred to profit or loss in the following periods, but are transferred to previous years' profit/loss. Dividends from such investments, on the other hand, are recognized as profit or loss, unless they clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to impairment calculation.

**c. Financial assets measured at amortized cost:**

The financial asset is considered a financial asset measured at amortized cost if the financial asset is held within the scope of a business model that aims to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that only include the principal and dividend payments arising from the principal balance on certain dates are classified.

Financial assets measured at amortized cost are initially recorded by adding transaction costs to their acquisition costs, which reflect their fair values, and are then measured at "amortized cost" using the internal rate of return. Profit share income related to financial assets measured at amortized cost is reflected in the profit or loss statement.

The Bank's securities portfolios, whose fair value difference is reflected in other comprehensive income and measured at amortized cost, include consumer price ("CPI") indexed lease certificates. The valuation of the mentioned assets during the year is made according to the internal yield method, based on the index created by taking into account the real profit share rates, the treasury reference index and the estimated inflation rate.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Loans**

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

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

As of 31 December 2022, all loans of the Group, including profit-loss sharing (musharakah) and labor-capital partnership (mudaraba) investments, are followed in the "Measured by Amortized Cost" account. Profit-loss sharing and labor-capital partnership investments followed by the Parent Bank in the loans account according to the BRSA Uniform Chart of Accounts, those to be valued for the first time as of 31 December 2020, with the letter of the BRSA numbered E-43890421-010.07.01-1294, or In accordance with the provisions of the "Interest-Free Finance Accounting Standard 3: Mudaraba Financing" or "Interest-Free Finance Accounting Standard 4: Musharakah Financing" standards for partnership financing funds in the form of "labor-capital partnership" or "profit-loss sharing" that are newly made available after 1 January 2021 was accounted for.

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

**Explanations on expected loss provisions**

The Parent Bank sets aside the expected loss provision for its loans and receivables by taking into consideration the "Regulation on the Classification of Loans and the Procedures and Principles Regarding the Provisions to be Set Aside" (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750. As of January 1, 2018, provision for impairment has been allocated in accordance with the provisions of TFRS 9. In this context, the Group takes into consideration the general structure of the loan portfolio, the financial structure of the customers, the non-financial data and the economic conjuncture in line with the credit risk policies and prudence principle when determining its estimates.

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

While expected credit loss is an estimate of expected losses from a loan over the life of a financial instrument, the following considerations are important for measurement.

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

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

***Provision for 12 month expected credit loss (Stage 1)***

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

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

***Significant increase in credit risk (Stage 2)***

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

The main criteria taken into account in determining the significant increase in the credit risk of the financial asset and its transfer to the 2nd stage; being watch list, the number of days of delay being 30 days or more and the internal early warning system rating of the Bank.

***Default (Stage 3)***

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

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

- Objective Default Definition: Means the debt is overdue for more than 90 days. With the debt being overdue by 90 days, the default starts on the 91st day.
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Explanations on expected loss provisions (Continued)**

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

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

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

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

**Probability of Default**

Probability of default refers to the likelihood that a loan will default at a certain time.

**Default Amount**

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

**Loss Given Default**

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

**Future Expectations**

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

The Bank uses 3 scenarios for forward-looking expectations: base, bad and good. All 3 scenarios have predetermined weights. The Group applies macroeconomic variables to its models by updating them every 3 months in March, June, September and December, which is used in the evaluation of the significant increase in credit risk and in the calculation of expected credit loss. As of 31 December 2022, macroeconomic variables, which are taken as a basis in the calculation of expected credit losses are reflected in the models.

**The Methodology of Behavioral Maturity Calculation**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Write-off Policy**

The amendment with respect to the regulation "Regulation on the Amendment of the Regulation on the Classification of Loans and the Procedures and Principles Regarding the Classification of Loans and Provisions for These" entered into force with its publication in the Official Gazette No.31533 on 6 July 2021. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as “Group V Loan” (Loans Classified as Loss) within the period deemed appropriate by the bank specific to the situation of the debtor, if it cannot reasonably be expected to be recovered. Since the reporting period, it can be written-off from the records under TFRS 9. The write-off is an accounting policy and does not result in the waiver of the right to receivable. Within the scope of this amendment, no credit has been written-off by the Bank as of the reporting date.

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

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

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES**

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of 31 December 2022, there are no securities lending transactions (31 December 2021: None). Securities sold under agreements for repurchase agreements (“Repos”) are classified as “Fair Value Through Profit or Loss”, “Fair Value Through Other Comprehensive Income” and “Financial Asset Measured at Amortized Cost” in the portfolio of the bank, according to the purposes of the Bank, and they are subject to valuation according to the portfolio which are belong. Funds obtained in return for repo agreements are accounted in "Money Markets Receivables" account and interest expense accruals for the period are calculated with the effective interest rate method.

Securities purchased with Resale commitment (“Reverse Repo”) are accounted in “Money Markets Receivables” on the balance sheet and interest income accruals for the period are calculated with the effective interest rate method.

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan. Various events or circumstances may extend the completion time of the sale transaction beyond one year. If the delay has occurred due to events or conditions beyond the control of the Bank and there is sufficient evidence that the Bank's plan to sell the related asset (or the group of assets to be disposed of) is still in progress, the said assets continue to be classified as held for sale. The properties acquired by the Parent Bank due to receivables are shown in the line of held for sale in the financial statements depending on the termination of the term sales contract. A discontinued operation is a division of a business that is classified as disposed or held for sale. The results related to discontinuing operations are presented separately in the profit or loss statement. The Parent Bank does not have any discontinued operations.

As of 31 December 2022, non-current assets of the Parent Bank held for sale are TRY 274.644 (31 December 2021: TRY 307.881).

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

As of the balance sheet date, there is no goodwill in the financial statements of the Bank.

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

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

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

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

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

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIII. EXPLANATIONS ON TANGIBLE ASSETS (Continued)**

Ordinary maintenance and repair expenses incurred for tangible assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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

There are no pledges, mortgages and other measures on tangible fixed assets, or commitments made for their purchase, or there is no restriction on the exercise of the right of disposition on them.

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

*Operational Leasing Transactions*

*Transactions as a lessee*

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

*Right of use;*

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

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

The right of use asset is recognized first by cost method and includes below:

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

*Lease Liabilities:*

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

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

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

The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation. The Participation Bank takes part as a lessor in leasing transactions. The Participation Bank indicates the assets subject to leasing as a receivable equal to the net lease investment amount in the balance sheet. The total of the lease payments is gross in the 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 lease receivables account; the profit share is reflected in the statement of profit or loss by deducting from the unearned profit share income account.

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (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” and the Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

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

The Group makes assumptions on issues such as discount rate, employee turnover, future salary increases while determining the liability. As of 31 December 2022, the Group's severance pay liability is TRY 125.764 (31 December 2021: TRY 26.259).

Communiqué on “Turkish Accounting Standard (“TAS19”) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TRY 93.537 was classified under shareholders’ equity in the financials. (31 December 2021: TRY 6.895 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2022 unused vacation liability of the Bank is TRY 28.175 (31 December 2021: TRY 10.500).

The Group does not employ personnel on fixed-term contracts.

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

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution (“SSI”) is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 30 June 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506.

As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law. Based on the decision of the Council of Ministers dated 24 February 2014; May 2015 was determined as the transfer period. As a result of the last amendment made in the first paragraph of the provisional article 20 of the Law No. 5510 and the Occupational Health and Safety Law No. 6645 published in the Official Gazette dated 23 April 2015 and numbered 29335; The Council of Ministers has been authorized to determine the transfer date and the President has been authorized to determine the transfer date in the repeated Official Gazette numbered 30473 on 9 July 2018.

The technical balance sheet report as of 31 December 2022 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.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON TAXATION**

**a. Current tax**

As of 31 December 2022, the corporate tax rate has been applied as 25% in the financial statements. In accordance with the Law No. 7316 published in the Official Gazette dated April 22, 2021, "The corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of July 1, 2021 and being effective for the taxation period starting from January 1, 2021 and this rate has been determined as 23% for the taxation period of 2022. However, with the publication of the Law No. 7394 in the Official Gazette dated April 15, 2022, banks, consumer finance companies, factoring and financial leasing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies The corporate tax rate for pension companies has been permanently increased to 25%, and this change will be valid for returns to be submitted after 1 July 2022. Therefore, as of the first quarter of 2022, the tax rate to be taken into account in the calculation of corporate tax is 23%, and the tax rate to be applied to the cumulative earnings of 2022 in the second quarter and following periods of 2022 had taken into account as 25%.

The corporate tax rate is applied to the tax base to be found as a result of the addition of non-deductible expenses to the commercial earnings of the companies, the exemption (such as participation income exemption) and deductions in the tax laws. No further tax is paid if the profit is not distributed.

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 calculate advance tax quarterly on their financial profits at the corporate tax rate valid for that year and declare and pay until the 17th day of the second month following that period. Advance tax paid by corporations for the current period is offset 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 used to offset any other financial liabilities to the government.

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

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

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

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Current tax (Continued)**

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

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

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the Law No. 7352 on the Amendment of the Tax Procedure Law and the Corporate Tax Law, published in the Official Gazette dated 29 January 2022 and numbered 31734, the temporary article 33 was added to the Tax Procedure Law No. 213, including the provisional tax periods. Financial statements will not be subject to inflation adjustment for the 2021 and 2022 accounting periods (for those designated as a special accounting period, as of the accounting periods ending in 2022 and 2023) and the provisional tax periods for the 2023 accounting period, regardless of whether the conditions for the repetitive inflation adjustment within the scope of Article 298 are met, it has been enacted that the 2023 financial statements will be subject to inflation adjustment regardless of whether the conditions for the inflation adjustment are met, and the profit/loss differences arising from the inflation adjustment to be made will be shown in the previous years profit/loss account.

**b. Deferred tax**

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax" and taking into account the additional regulation introduced by the Law No. 7316 of 22 April 2021, the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation. In accordance with the relevant law, the Corporate Tax rate has been increased to 25% for the taxation period starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021, and this rate will be applied as 23% for the period of 2022. It was announced that this rate would be applied as 23% for the taxation period of 2022 and 20% for the taxation periods of 2023 and beyond. However, with the publication of the Law No. 7394 in the Official Gazette dated April 15, 2022, banks, consumer finance companies, factoring and financial leasing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies The corporate tax rate for pension companies has been permanently increased to 25%, and this change will be valid for returns to be submitted after 1 July 2022. Therefore, as of the first quarter of 2022, the tax rate to be taken into account in the calculation of corporate tax is 23%, and the tax rate to be applied to the cumulative earnings of 2022 in the second quarter and following periods of 2022 had considered as 25%. As of 31 December 2022 and December 31, 2021, enacted tax rates, which are valid in accordance with the tax legislation in force, are used as of the reporting dates for the items subject to deferred tax calculation, in accordance with their lives.

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates. In the calculation of deferred tax, the Bank estimates the time when temporary differences will be taxable/deductible and uses enacted tax rates as of the balance sheet date in accordance with the current tax legislation. As the deferred tax assets or liabilities within the scope of TAS 12 are calculated based on the tax rates (and tax laws) that are in effect or nearly effective as of the end of the reporting period (balance sheet date), using the tax rates expected to be applied in the periods when the assets are converted into income or the liabilities are paid, the Parent Bank As of 31 December 2022, deferred tax calculations were made on its assets and liabilities at a rate of 25%. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future. Except for goodwill or business combinations, deferred tax liability or asset is not calculated for temporary timing differences arising from the initial recognition of assets or liabilities and which do not affect both commercial and financial profit or loss.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

###### b. Deferred tax (Continued)

Carrying amount of deferred tax asset is reviewed as of each balance sheet date. Carrying value of deferred tax asset is reduced to the extent that it is not probable that a financial profit will be obtained to allow some or all of the deferred tax asset to be benefited.

Deferred tax is calculated over the tax rates valid in the period when assets are created or liabilities are fulfilled and recorded as expense or income in the income statement. However, deferred tax is associated directly with the equity account group if it relates to assets directly associated with equity in the same or a different period.

Calculated deferred tax assets and deferred tax liabilities are netted off in the unconsolidated financial statements.

The deferred tax effects of transactions accounted for directly in equity are also presented in equity.

As of 1 January 2018, deferred tax assets have been started to be calculated over the expected loss provisions that constitute temporary difference within the framework of TFRS 9 provisions. Deferred tax calculations are not made for free provisions.

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

The Group recognizes its debt instruments in accordance with TFRS 9 "Financial Instruments" and all financial liabilities are carried at amortized cost by using effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

The Group received from TC Ziraat Bankası A.Ş. on 28 March 2019 in the amount of 300.000 TRY; In the amount of 500.000 TRY on April 15, 2021; On November 17, 2021, it provided a loan of TRY 500.000 as a contribution capital.

On April 24, 2019, with the approval of the BRSA on April 22, 2019, the Group obtained EUR 100.000 from Turkey Wealth Fund Market Stability and Balance Sub-Fund; With the approval of the BRSA on 9, 2022, on March 9, 2022, a subordinated loan amounting to EUR 57.039 is provided within the scope of demand and non-profit additional capital.

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

As of the balance sheet date, the Parent Bank has not issued any shares.

##### XX. EXPLANATIONS ON ACCEPTANCES

The Group's debt commitments regarding bills and acceptances are accounted for under "Off-balance sheet Liabilities".

##### XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

As of the balance sheet date, the Group does not have any government incentives.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

##### XXII. RELATED PARTIES

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

##### XXIII. EXPLANATION ON CASH AND CASH EQUIVALENTS

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

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

##### XXIV. EXPLANATION ON SEGMENT REPORTING

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

##### XXV. EXPLANATION ON OTHER MATTERS

None.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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### SECTION FOUR

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

##### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

Equity amount and capital adequacy standard ratio, within the framework of "Regulation on Banks' Equity" and "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" and in addition to these, the following regulations of the BRSA;

- In accordance with the Decision of the Banking Regulation and Supervision Agency dated 28 April 2022 and numbered 10188, the Central Bank's foreign exchange buying rate of 31 December 2021 was used while calculating the valued amounts in foreign currency in calculating the amount subject to credit risk.
- In case the net valuation differences of the securities held by banks in the "Securities at Fair Value through Other Comprehensive Income" portfolio within the framework of the regulation dated 21 December 2021 and numbered 9996 are negative, these differences may not be taken into account in the equity amount. In case the net valuation differences of the securities held by banks in the "Securities at Fair Value through Other Comprehensive Income" portfolio within the framework of the regulation dated 21 December 2021 and numbered 9996 are negative, these differences may not be taken into account in the equity amount.

The current period equity amount calculated as of 31 December 2022, taking into account the latest regulations, is TRY 15.901.345 (31 December 2021: TRY 6.747.612), and the capital adequacy standard ratio is 15,57% (31 December 2021: 14,02%). The capital adequacy standard ratio of the Parent Bank is above the minimum ratio determined by the relevant legislation.

##### Information related to the components of shareholders' equity:

	Current Period 31.12.2022	Prior Period 31.12.2021
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	2.650.000	1.750.000
Share issue premiums	-	-
Reserves	2.297.860	1.739.171
Gains recognized in equity as per TAS	3.673.072	418.988
Profit	3.840.272	558.689
Current Period Profit	3.840.272	558.689
Prior Period Profit	-	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>12.461.204</b>	<b>4.466.848</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	282.676	139.776
Improvement costs for operating leasing	98.174	33.991
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	342.454	223.839
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	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

	Current Period 31.12.2022	Prior Period 31.12.2021
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 I Capital</b>	<b>723.304</b>	<b>397.606</b>
<b>Total Common Equity Tier I Capital</b>	<b>11.737.900</b>	<b>4.069.242</b>
<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(**)	2.257.081	1.150.435
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>2.257.081</b>	<b>1.150.435</b>
<b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>	<b>13.994.981</b>	<b>5.219.677</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA(***)	1.300.000	1.300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	615.573	229.704
<b>Tier II Capital Before Deductions</b>	<b>1.915.573</b>	<b>1.529.704</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>1.915.574</b>	<b>1.529.704</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>15.910.555</b>	<b>6.749.381</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

	Current Period 31.12.2022	Prior Period 31.12.2021
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>	<b>15.910.555</b>	<b>6.749.381</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	9.210	1.770
<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 (Total capital and contribution capital)	<b>15.901.345</b>	<b>6.747.612</b>
Total risk weighted amounts	102.160.655	48.142.064
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11.49	8.45
Tier 1 Capital Adequacy Ratio (%)	13.70	10.84
Capital Adequacy Ratio (%)	15.57	14.02
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>2.50</b>	<b>2.50</b>
a) Capital conservation buffer requirement (%)	2.50	2.50
b) Bank specific counter-cyclical buffer requirement (%)	0.00	0.00
c) Systemic significant bank buffer ratio (%)	0.00	0.00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6.99	3.95
<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)	615.573	229.704
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	615.573	229.704
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	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### Information of the borrowing instruments to be included in equity calculation

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 300 Million
Par value of instrument	TRY 300 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	29 March 2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
<b>Coupons/dividends<sup>(*)</sup></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"	In Compliance with Article number 8
Details of incompliance 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 OF 31 DECEMBER 2022

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

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

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

##### Information of the borrowing instruments to be included in equity calculation (Continued)

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 500 Million
Par value of instrument	TRY 500 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	16 April 2021
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<sup>(*)</sup></b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	18,00%
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”	In Compliance with Article number 8
Details of incompliance 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 OF 31 DECEMBER 2022

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

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

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

##### Information of the borrowing instruments to be included in equity calculation (Continued)

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 500 Million
Par value of instrument	TRY 500 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	17 November 2021
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<sup>(*)</sup></b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	17,75%
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”	In Compliance with Article number 8
Details of incompliance 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 OF 31 DECEMBER 2022

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

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

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

###### Information of the borrowing instruments to be included in equity calculation (Continued)

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 1.557 Million
Par value of instrument	TRY 1.995 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	24 April 2019
Perpetual or dated	Undated
Original maturity date	24 April 2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
<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”	In Compliance with Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7

(\*) Profit share for participation banks.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

###### Information of the borrowing instruments to be included in equity calculation (Continued)

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 700 Million
Par value of instrument	TRY 1.138 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	9 March 2022
Perpetual or dated	Undated
Original maturity date	9 March 2022
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
<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”	In Compliance with Article number 7
Details of incompliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7

(\*) Katılım bankaları için kâr payı

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### 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

	Current Period 31.12.2022	Prior Period 31.12.2021
<b>Balance sheet equity value</b>	<b>11.378.445</b>	<b>4.321.735</b>
Equity value of balance sheet	(98.174)	(33.991)
Cost of development of operating lease	(342.454)	(223.839)
Goodwill and other intangible assets and related deferred tax liability	1.300.000	1.300.000
Debt instruments and premiums approved by BRSA	615.573	229.704
Tier II Capital	2.257.081	1.150.435
Debt instruments and premiums approved by BRSA - subordinated loans	(9.210)	(1.770)
Other values deducted from equity	800.084	5.338
<b>Amount taken into consideration in the calculation of legal equity</b>	<b>15.901.345</b>	<b>6.747.612</b>

##### II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued)**

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

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

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

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 44,48% and 56,41% respectively (31 December 2021: 46,10% and 56,80%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 46,44% and 57,74% respectively (31 December 2021: 55,17% and 67,56%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 39,59% ve 50,82% respectively (31 December 2021: 41,77% and 53,11%).

TFRS 9 expected loss provisions for the loans for the Stage 1 and Stage 2 are amounted TRY 1.121.590 (31 December 2021: TRY 397.184)

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### The Profile of Important Risks of Important Regions

Current Period 31.12.2022	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
Domestic	39.418.257	-	353.890	-	-	8.765.418	72.591.847	13.634.937	10.570.286	209.536	5.632.639	-	-	-	-	2.163.774	153.340.584
European Union Countries	-	-	-	-	-	1.578.899	1.180	26.763	14.272	1	14	-	-	-	-	-	1.621.129
OECD Countries <sup>(*)</sup>	-	-	-	-	-	212.669	-	-	-	-	-	-	-	-	-	-	212.669
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	107.874	-	94	-	-	-	-	-	-	-	-	107.968
Other Countries	-	-	-	-	-	49.760	455.828	7.331	6.517	-	261.706	-	-	-	-	-	781.142
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	39.418.257	-	353.890	-	-	10.714.620	73.048.855	13.669.125	10.591.075	209.537	5.894.359	-	-	-	-	2.163.774	156.063.492
Prior Period 31.12.2021	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
Domestic	16.859.321	-	303.839	-	-	1.510.621	36.800.131	8.982.302	6.424.970	257.585	13.994	-	-	-	-	1.250.969	72.403.732
European Union Countries	-	-	-	-	-	308.509	-	703	-	-	31	-	-	-	-	-	309.243
OECD Countries <sup>(*)</sup>	-	-	-	-	-	736.779	283	-	-	-	-	-	-	-	-	-	737.062
Off-shore Banking Regions	-	-	-	-	-	-	198.913	-	-	-	-	-	-	-	-	-	198.913
USA, Canada	-	-	-	-	-	204.224	-	-	-	-	-	-	-	-	-	-	204.224
Other Countries	-	-	-	-	-	251.110	101.644	8	-	-	63.692	-	-	-	-	-	416.454
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	16.859.321	-	303.839	-	-	3.011.243	37.100.971	8.983.013	6.424.970	257.585	77.717	-	-	-	-	1.250.969	74.269.628

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

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

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Risk Profile by Sectors or Counterparties

Current Period 31.12.2022	Risk Classes																		TRY	FC	Total
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables					
Sectors/Counterparties																					
Agriculture	-	-	-	-	-	-	463.775	270.596	81.260	597	75	-	-	-	-	-	755.893	60.410	816.303		
Farming and Stockbreeding	-	-	-	-	-	-	358.405	197.899	75.245	594	75	-	-	-	-	-	611.649	20.569	632.218		
Forestry	-	-	-	-	-	-	33.832	67.028	3.807	3	-	-	-	-	-	-	103.452	1.218	104.670		
Fishing	-	-	-	-	-	-	71.538	5.669	2.208	-	-	-	-	-	-	-	40.792	38.623	79.415		
Manufacturing	-	-	271.833	-	-	-	42.055.506	4.145.362	2.159.074	27.791	2.743.668	-	-	-	-	-	29.214.659	22.188.575	51.403.234		
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Production	-	-	-	-	-	-	1.546.978	90.293	66.853	59	38.869	-	-	-	-	-	1.039.886	703.166	1.743.052		
Manufacturing Industry	-	-	118.042	-	-	-	36.126.307	3.979.163	2.073.245	20.125	2.419.663	-	-	-	-	-	25.412.867	19.323.678	44.736.545		
Electric, Gas and Water	-	-	153.791	-	-	-	4.382.221	75.906	18.976	7.607	285.136	-	-	-	-	-	2.761.906	2.161.731	4.923.637		
Construction	-	-	11	-	-	-	10.268.715	1.852.258	1.396.645	77.513	592.660	-	-	-	-	-	9.552.530	4.635.272	14.187.802		
Services	38.628.919	-	80.140	-	-	10.714.620	20.069.952	4.972.698	2.504.529	101.997	2.491.052	-	-	-	-	-	49.527.461	30.036.446	79.563.907		
Wholesale and Retail Trade	-	-	161	-	-	-	11.962.553	3.674.240	1.634.780	91.826	1.337.377	-	-	-	-	-	16.335.315	2.365.622	18.700.937		
Hotel Food and Beverage Services	-	-	-	-	-	-	1.170.005	128.824	231.491	3.901	19.560	-	-	-	-	-	1.315.954	237.827	1.553.781		
Transportation and Telecommunication	-	-	-	-	-	-	1.556.151	405.415	109.555	3.625	46.785	-	-	-	-	-	828.559	1.292.972	2.121.531		
Financial Institutions	38.628.919	-	133	-	-	10.708.624	251.883	4.076	157	-	389.233	-	-	-	-	-	25.019.614	24.963.411	49.983.025		
Real Estate and Leasing Services	-	-	27.783	-	-	5.996	4.279.925	563.949	427.726	2.626	614.063	-	-	-	-	-	5.034.464	887.604	5.922.068		
Self Employment Services	-	-	-	-	-	-	35.863	41.064	28.355	-	19	-	-	-	-	-	96.270	9.031	105.301		
Education Services	-	-	53	-	-	-	52.660	36.094	41.687	19	371	-	-	-	-	-	114.185	16.699	130.884		
Health and Social Services	-	-	52.010	-	-	-	760.912	119.036	30.778	-	83.644	-	-	-	-	-	783.100	263.280	1.046.380		
Other	789.338	-	1.906	-	-	-	190.907	2.428.211	4.449.567	1.639	66.904	-	-	-	-	-	2.163.774	6.972.975	3.119.271		
Total	39.418.257	-	353.890	-	-	10.714.620	73.048.855	13.669.125	10.591.075	209.537	5.894.359	-	-	-	-	-	2.163.774	96.023.518	60.039.974	156.063.492	

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Risk Profile by Sectors or Counterparties (Continued)

Prior Period 31.12.2021	Risk Classes																	TRY	FC	Total
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables				
Sectors/Counterparties																				
Agriculture	-	-	1	-	-	-	275.496	157.357	31.012	866	-	-	-	-	-	-	382.265	82.467	464.732	
Farming and Stockbreeding	-	-	1	-	-	-	233.062	107.159	26.201	859	-	-	-	-	-	-	318.462	48.820	367.282	
Forestry	-	-	-	-	-	-	16.123	42.755	2.465	7	-	-	-	-	-	-	57.283	4.067	61.350	
Fishing	-	-	-	-	-	-	26.311	7.443	2.346	-	-	-	-	-	-	-	6.520	29.580	36.100	
Manufacturing	203.146	-	264.623	-	-	-	19.876.548	3.043.074	1.044.607	62.238	-	-	-	-	-	-	9.463.897	15.030.339	24.494.236	
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Production	-	-	-	-	-	-	651.795	47.732	34.012	492	-	-	-	-	-	-	206.180	527.851	734.031	
Manufacturing Industry	203.146	-	110.642	-	-	-	16.947.803	2.906.060	984.553	61.660	-	-	-	-	-	-	8.632.881	12.580.983	21.213.864	
Electric, Gas and Water	-	-	153.981	-	-	-	2.276.950	89.282	26.042	86	-	-	-	-	-	-	624.836	1.921.505	2.546.341	
Construction	-	-	11	-	-	-	6.190.130	1.178.981	977.025	56.910	-	-	-	-	-	-	5.250.839	3.152.218	8.403.057	
Services	16.656.175	-	39.204	-	-	3.011.243	10.505.849	3.160.795	1.275.394	135.592	63.858	-	-	-	-	-	17.854.556	16.993.553	34.848.110	
Wholesale and Retail Trade	-	-	150	-	-	-	4.545.540	2.385.496	684.572	120.425	51	-	-	-	-	-	5.676.336	2.059.898	7.736.234	
Hotel Food and Beverage Services	-	-	32	-	-	-	542.837	102.689	112.839	546	7	-	-	-	-	-	432.880	326.070	758.950	
Transportation and Telecommunication	-	-	-	-	-	-	1.207.244	203.945	26.092	9.578	-	-	-	-	-	-	354.828	1.092.031	1.446.859	
Financial Institutions	16.656.175	-	89	-	-	3.011.243	907.090	2.069	6.695	2	63.654	-	-	-	-	-	8.022.575	12.624.441	20.647.017	
Real Estate and Leasing Services	-	-	14.547	-	-	-	2.724.031	347.904	368.928	4.126	35	-	-	-	-	-	2.844.699	614.872	3.459.571	
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Services	-	-	40	-	-	-	42.869	28.769	57.362	915	-	-	-	-	-	-	114.554	15.401	129.955	
Health and Social Services	-	-	24.346	-	-	-	536.238	89.923	18.906	-	111	-	-	-	-	-	408.684	260.840	669.524	
Other	-	-	-	-	-	-	252.948	1.442.806	3.096.932	1.979	13.859	-	-	-	-	-	1.250.969	4.670.600	1.388.893	
Total	16.859.321	-	303.839	-	-	3.011.243	37.100.971	8.983.013	6.424.970	257.585	77.717	-	-	-	-	-	1.250.969	37.622.157	36.647.470	
								</												

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications:</b>					
Conditional and unconditional exposures to central governments or central banks	16.591.284	266.243	362.832	2.282.495	19.915.403
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	231	19.822	196.145	31.176	106.516
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	10.691.293	-	11.197	883	11.247
Conditional and unconditional exposures to corporates	14.633.224	10.050.077	9.444.206	14.411.035	24.510.313
Conditional and unconditional retail exposures	1.822.919	1.068.392	1.517.479	4.187.067	5.073.268
Conditional and unconditional exposures secured by real estate property	562.736	445.205	467.280	1.583.067	7.532.787
Past due receivables	209.537	-	-	-	-
Receivables defined in high risk category by BRSA	1.438.429	1.100.496	1.611.721	1.287.363	456.350
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Investments in Equity Instruments	2.163.774	-	-	-	-
<b>Grand Total</b>	<b>48.113.427</b>	<b>12.950.235</b>	<b>13.610.860</b>	<b>23.783.086</b>	<b>57.605.884</b>

It is prepared by using the figures after KRA and before Credit Risk Reduction.

Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications:</b>					
Conditional and unconditional exposures to central governments or central banks	8.899.329	1.429.944	28.463	508.003	5.993.582
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	39.525	33	142	155.059	109.080
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2.800.637	181.281	10.233	13.650	5.442
Conditional and unconditional exposures to corporates	1.535.508	2.598.258	5.982.023	6.065.324	20.919.858
Conditional and unconditional retail exposures	206.877	536.057	887.531	1.375.218	5.977.330
Conditional and unconditional exposures secured by real estate property	35.542	211.487	218.071	350.360	5.609.510
Past due receivables	257.585	-	-	-	-
Receivables defined in high risk category by BRSA	63.830	26	-	-	13.861
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Investments in Equity Instruments	1.250.969	-	-	-	-
<b>Grand Total</b>	<b>15.089.802</b>	<b>4.957.086</b>	<b>7.126.463</b>	<b>8.467.614</b>	<b>38.628.663</b>

It is prepared by using the figures after KRA and before Credit Risk Reduction.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

##### II. EXPLANATIONS ON CREDIT RISK (Continued)

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

Rating Grades;

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

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

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

##### Exposures by risk weights:

Current Period													
	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Other Risk Weights	Deductions from Equity
1	Exposures before Credit Risk Mitigation	55,193,139	-	10,088,701	5,378,280	5,445,517	13,653,511	76,406,994	324,150	5,566,567	-	3,642	440,628
2	Exposures after Credit Risk Mitigation	61,333,990	-	10,987,130	5,378,280	5,445,517	11,730,807	71,290,418	324,150	5,566,567	-	3,642	440,628

Prepared with the numbers after conversion rate to credit.

Prior Period													
	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	Other Risk Weights	Deductions from Equity
1	Exposures before Credit Risk Mitigation	20,410,304	-	2,863,858	3,438,597	3,440,949	8,978,381	38,089,163	78,047	-	-	-	257,830
2	Exposures after Credit Risk Mitigation	23,673,373	-	3,612,076	3,438,597	3,977,651	7,046,629	35,472,926	78,047	-	-	-	257,830

Prepared with the numbers after conversion rate to credit.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Information in terms of major sectors and type of counterparties:

**Impaired Loans** These are loans that are overdue for more than 90 days as of the end of the reporting period or are deemed to be impaired due to their credibility. For these loans, the "Expected Credit Loss" (Third Stage) calculation is made within the scope of TFRS

**Non-Performing Loans;** Loans that are overdue up to 90 days as of the end of the reporting period, but are not impaired. For these loans, "Expected Credit Loss" (Second Stage) calculation is made within the scope of TFRS 9.

	Loans		Provisions
	Impaired (TFRS 9)		2nd and 3rd Stage Loan Provisions)
Current Period 31.12.2022	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
<b>Agriculture</b>	5.613	17.124	13.850
Farming and Stockbreeding	5.507	12.293	9.627
Forestry	-	4.371	3.763
Fishery	106	460	460
<b>Manufacturing</b>	1.153.464	617.186	749.774
Mining and Quarrying	736.560	12.474	114.361
Production	416.904	590.702	629.011
Electricity, Gas and Water	-	14.010	6.402
<b>Construction</b>	543.390	711.116	638.706
<b>Services</b>	818.150	526.559	612.052
Wholesale and Retail Trade	347.139	473.099	515.633
Accommodation and Dining	165.262	2.828	26.422
Transportation and Telecom.	9.390	24.362	21.063
Financial Institutions	126.355	5.577	22.554
Real Estate and Rental Services	120.746	20.533	19.196
Professional Services	331	90	100
Educational Services	6.089	26	876
Health and Social Services	42.838	44	6.208
<b>Other</b>	86.576	3.756	19.651
<b>Total</b>	<b>2.607.193</b>	<b>1.875.741</b>	<b>2.034.033</b>

	Loans		Provisions
	Impaired (TFRS 9)		2nd and 3rd Stage Loan Provisions)
Prior Period 31.12.2021	Significant Increase in Credit Risk (Stage 2)	Non-performing loans (Stage 3)	
<b>Agriculture</b>	17.796	26.015	21.555
Farming and Stockbreeding	14.784	19.738	17.214
Forestry	3.012	5.822	3.922
Fishery	-	455	419
<b>Manufacturing</b>	657.238	563.405	537.580
Mining and Quarrying	132.450	13.290	34.405
Production	524.788	545.626	499.178
Electricity, Gas and Water	-	4.489	3.997
<b>Construction</b>	871.192	548.207	479.480
<b>Services</b>	701.955	555.593	462.575
Wholesale and Retail Trade	248.013	467.435	380.130
Accommodation and Dining	14.427	2.561	6.658
Transportation and Telecom.	26.012	44.495	32.946
Financial Institutions	124.897	5.146	4.531
Real Estate and Rental Services	192.190	23.503	26.596
Professional Services	342	174	97
Educational Services	5.781	125	160
Health and Social Services	90.293	12.154	11.457
<b>Other</b>	49.427	5.756	5.491
<b>Total</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>1.506.681</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Information about Value Adjustment and Change in Provisions:

Current Period (*) 31.12.2022		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	1.337.712	426.273	(168.539)	-	1.595.446
2	Stage 1 and 2 Provisions	397.184	812.062	(87.656)	-	1.121.590

Prior Period (*) 31.12.2021		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	788.843	636.218	(87.349)	-	1.337.712
2	Stage 1 and 2 Provisions	364.383	256.117	(223.316)	-	397.184

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

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

	Current Period 31.12.2022	Prior Period 31.12.2021
Financial Assets at Fair Value Through Profit / Loss	2.133.604	1.795.316
Banks	13.251.320	3.350.140
Money Markets Receivables	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	18.771.389	8.579.158
Financial Assets Measured at Amortised Cost	5.323.943	1.327.957
Loans Given	123.622.944	56.853.656
Financial lease receivables	21.235.324	9.546.264
Other Assets	28.018.399	17.063.147
<b>Credit risk sensitivity of balance sheet items</b>	<b>212.356.923</b>	<b>98.515.638</b>
Guarantees and Sureties	45.191.482	29.603.465
Commitments	2.830.404	1.146.602
<b>Credit risk sensitivity of off-balance sheet items</b>	<b>48.021.886</b>	<b>30.750.067</b>
<b>Total credit risk sensitivity</b>	<b>260.378.809</b>	<b>129.265.705</b>

##### Information on credit quality by financial asset class:

Financial Assests	Current Period			Prior Period		
	Not Overdue and Not Impaired	Overdue and Not Impaired	Total	Not Overdue and Not Impaired	Overdue and Not Impaired	Total
Banks	13.251.320	-	13.251.320	3.350.140	-	3.350.140
Financial Assets at Fair Value Through Profit / Loss	2.133.604	-	2.133.604	1.795.316	-	1.795.316
Loans Given:	143.092.370	2.607.193	145.699.563	64.138.232	2.297.608	66.435.840
Corporate / Entrepreneurial Loans	133.618.887	2.523.906	136.142.793	58.791.156	2.248.184	61.039.340
Personal Loans	9.473.483	83.287	9.556.770	5.347.076	49.424	5.396.500
Specialized Loans	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	19.810.297	-	19.810.297	8.589.570	-	8.589.570
Financial Assets Measured at Amortised Cost	5.323.943	-	5.323.943	1.327.957	-	1.327.957

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

According to the Board decision published by the BRSA, the transactions between banks are not included in the Cyclical Capital Buffer rate calculation. In this context, as of 31 December 2022, the cyclical capital buffer rate formed as a result of the calculations made as a result of the Bank's receivables from abroad other than Banks is 0%. The geographical distribution of receivables from the private sector, which is taken into account in the calculation of the circular capital buffer specific to the bank, is explained in the table below:

<b>Current Period</b> <b>31.12.2022</b>			
<b>Country</b>	<b>Banking accounts RWA</b>	<b>Trading accounts RWA</b>	<b>Total</b>
Marshall Island	339.350	-	339.350
United Arab Emirates	21.602	-	21.602
Germany	15.448	-	15.448
England	7.259	-	7.259
Holland	3.950	-	3.950
Saudi Arabia	3.353	-	3.353
Bosnia Herzegovina	2.370	-	2.370
Macedonia	1.232	-	1.232
Kazakhstan	975	-	975
Qatar	467	-	467
Other	1.503	-	1.503

<b>Prior Period</b> <b>31.12.2021</b>			
<b>Country</b>	<b>Banking accounts RWA</b>	<b>Trading accounts RWA</b>	<b>Total</b>
Marshall Island	143.164	-	143.164
United Arab Emirates	92.340	-	92.340
Saudi Arabia	1.861	-	1.861
England	283	-	283
Germany	57	-	57
Sudan	38	-	38
Somalia	25	-	25
Egypt	1	-	1
Netherlands	1	-	1

#### IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

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

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

None.

- c) **Foreign currency risk policy:**

Periodic "Liquidity Gap Analysis" is performed to determine the liquidity risks in the most important foreign currencies in which the Parent Bank operates, the US Dollar and Euro. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### d) Current foreign exchange bid rates of the Group for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
31.12.2022	18,6648	19,9543	12,6062	2,6698	1,7856	20,1902	13,6403	1,8869	22,5430	4,9283	14,0210
30.12.2022	18,6648	19,9543	12,6062	2,6698	1,7856	20,1902	13,6403	1,8869	22,5430	4,9283	14,0210
29.12.2022	18,6758	19,8765	12,5524	2,6595	1,7754	20,1803	13,6424	1,8795	22,4817	4,9286	13,8960
28.12.2022	18,6656	19,8916	12,6179	2,6618	1,7855	20,1191	13,6631	1,8931	22,6056	4,9259	13,7980
27.12.2022	18,6285	19,7925	12,4891	2,6483	1,7691	19,9820	13,6511	1,8851	22,3912	4,9175	13,8180
26.12.2022	18,5330	19,6892	12,3955	2,6348	1,7520	19,8454	13,5021	1,8684	22,3709	4,8896	13,7990

##### e) Simple arithmetic average of the Parent Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
18,5761	19,6720	12,4760	2,6320	1,7798	19,8917	13,5348	1,8716	22,6216	4,9024	13,6380

#### 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	4,972,366	10,873,446	2,817,630	18,663,442
Banks	2,396,080	8,024,055	2,696,528	13,116,663
Financial assets at fair value through profit and loss <sup>(***)</sup>	-	-	2,133,604	2,133,604
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	300,176	3,326,442	-	3,626,618
Loans <sup>(*)</sup>	24,538,427	23,829,407	206	48,368,040
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	2,608,614	-	-	2,608,614
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	843	843
Intangible assets	-	-	-	-
Other assets	46,858	11,795	14,646	73,299
<b>Total assets</b>	<b>34,862,521</b>	<b>46,065,145</b>	<b>7,663,457</b>	<b>88,591,123</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	404	5,710	-	6,114
Current and participation accounts FC	23,531,323	36,784,934	7,370,653	67,686,910
Money market borrowings	1,142,789	6,356,207	-	7,498,996
Funds provided from other financial institutions	2,962,474	1,219,776	-	4,182,250
Marketable securities issued	-	-	-	-
Miscellaneous Payables	883,055	264,593	92,969	1,240,617
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other liabilities <sup>(****)</sup>	3,124,037	149,636	5,841	3,279,514
<b>Total liabilities</b>	<b>31,644,082</b>	<b>44,780,856</b>	<b>7,469,463</b>	<b>83,894,401</b>
<b>Net balance sheet position</b>	<b>3,218,439</b>	<b>1,284,289</b>	<b>193,994</b>	<b>4,696,722</b>
<b>Net off-balance sheet position <sup>(**)</sup></b>	<b>(2,993,145)</b>	<b>(1,964,608)</b>	<b>-</b>	<b>(4,957,753)</b>
Financial derivative assets	-	2,934,895	-	2,934,895
Financial derivative liabilities	2,993,145	4,899,503	-	7,892,648
<b>Non cash loans</b>	<b>10,299,536</b>	<b>12,324,700</b>	<b>997,528</b>	<b>23,621,764</b>
<b>Prior Period</b>				
Total assets	21,418,249	26,087,364	4,990,245	52,495,858
Total liabilities	20,576,269	27,295,434	5,035,651	52,907,354
<b>Net balance sheet position</b>	<b>841,980</b>	<b>(1,208,070)</b>	<b>(45,406)</b>	<b>(411,496)</b>
<b>Net off-balance sheet position</b>	<b>(858,141)</b>	<b>1,188,203</b>	<b>158,937</b>	<b>488,999</b>
Financial derivative assets	979	1,374,457	180,259	1,555,695
Financial derivative liabilities	859,120	186,254	21,322	1,066,696
<b>Non-cash loans</b>	<b>10,787,955</b>	<b>9,938,002</b>	<b>606,336</b>	<b>21,332,293</b>

(\*) Foreign currency indexed loans amounting to TRY 163,733, which are displayed as TRY in the unconsolidated financial statements, are shown with the relevant foreign currency code. Includes receivables from lease transactions.

(\*\*) Shows net receivables and debts from derivative financial instruments.

(\*\*\*) The currencies in the other FC column of the assets section consist of 83% Gold, 2% GBP, CHF 4%, and the remaining 11% other currencies. The currencies in the FC column of liabilities section consist of %85 Gold, 2% GBP, CHF 4%, and the remaining 9% other currencies.

(\*\*\*\*) Provisions, lease liabilities and subordinated loans are included.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

**V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS**

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

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TRY 52.341 all of which are 100% risk weighted (31 December 2021: TRY 10.412).

**VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs Remaining Maturity Analysis for the observation of the maturity structure of the balance sheet, Liquidity Gap Analysis for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The main subject of the liquidity stress test is "Sudden Participation Fund Draws" and "Exchange Rate Changes". Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA weekly on consolidated basis and monthly on consolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation. Liquidity Coverage Ratio is above the limit value specified in the regulation.

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

**1) Liquidity Risk**

**a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. For this reason, the assets and liabilities of the Bank are compatible with the dividend rates.

The Parent Bank, TRY 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND  
LIQUIDITY COVERAGE RATIO (Continued)****1) Liquidity Risk (Continued)****b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

**c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

**d) Evaluation of the banks cash flow rates and its sources:**

The Parent Bank's main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

**2. Liquidity coverage ratio**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the banks' net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers.

The lowest and highest Liquidity Coverage Ratios in the fourth quarter of 2022 are listed in the table below.

<b>Current Period</b>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>
TRY+FC	179,36	17.11.2022	111,33	02.10.2022
FC	352,01	17.11.2022	195,28	05.12.2022

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 2) Liquidity coverage ratio (Continued)

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

Current Period 31.12.2022	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High quality liquid assets	-	-	35.399.664	20.894.954
<b>CASH OUTFLOWS</b>				
Real person deposits and retail deposits	54.779.081	30.878.410	5.491.139	3.199.219
Stable deposit	5.247.141	-	262.357	-
Deposit with low stability	49.531.940	30.878.410	5.228.782	3.199.219
Unsecured debts except real person deposits and retail deposits	77.363.285	31.097.487	36.300.319	13.932.045
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	77.363.285	31.097.487	36.300.319	13.932.045
Secured debts	-	-	-	-
Other cash outflows	47.951.276	26.986.674	7.527.606	6.128.931
Derivative liabilities and margin obligations	5.782.112	4.479.030	4.828.082	4.479.030
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	1.738.426	1.829.199	677.987	615.979
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	40.430.738	20.678.445	2.021.537	1.033.922
<b>TOTAL CASH OUTFLOW</b>	<b>180.093.642</b>	<b>88.962.571</b>	<b>49.319.064</b>	<b>23.260.195</b>
<b>CASH INFLOWS</b>				
Secured receivables	-	-	-	-
Unsecured claims	25.309.625	14.469.279	17.867.325	12.302.886
Other cash inflows	4.893.249	2.500.647	4.893.249	2.500.647
<b>TOTAL CASH INFLOWS</b>	<b>30.202.874</b>	<b>16.969.926</b>	<b>22.760.574</b>	<b>14.803.533</b>
Applied maximum rate values				
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	<b>-</b>	<b>-</b>	<b>35.399.663</b>	<b>20.894.954</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>26.558.490</b>	<b>8.456.663</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>133</b>	<b>247</b>

(\*) The monthly 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 OF 31 DECEMBER 2022

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

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

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

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

Prior Period 31.12.2021	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TRY+FC	FC	TRY+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High quality liquid assets	-	-	17.594.152	13.543.501
<b>CASH OUTFLOWS</b>				
Real person deposits and retail deposits	26.004.269	17.680.042	2.647.321	1.872.238
Stable deposits	3.221.765	-	161.088	-
Deposit with low stability	22.782.504	17.680.042	2.486.233	1.872.238
Unsecured debts except real person deposits and retail deposits	25.036.847	13.724.284	13.254.580	6.667.792
Operational deposit	-	-	-	-
Non operating deposits	-	-	-	-
Other unsecured debts	25.036.847	13.724.284	13.254.580	6.667.792
Secured debts	-	-	-	-
Other cash outflows	27.916.380	18.602.344	2.599.251	2.008.355
Derivative liabilities and margin obligations	1.726.582	923.811	1.051.655	923.811
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	715.848	845.134	273.898	242.874
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off- balance sheet liabilities	25.473.950	16.833.399	1.273.698	841.670
<b>TOTAL CASH OUTFLOW</b>	-	-	<b>18.501.152</b>	<b>10.548.385</b>
<b>CASH INFLOW</b>				
Secured receivables	-	-	-	-
Unsecured claims	7.163.737	4.336.075	5.147.453	3.726.860
Other cash inflows	1.130.684	883.069	1.130.684	883.069
<b>TOTAL CASH INFLOWS</b>	<b>8.294.421</b>	<b>5.219.144</b>	<b>6.278.137</b>	<b>4.609.929</b>
	Applied maximum rate values			
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	-	-	<b>17.594.152</b>	<b>13.543.501</b>
<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>12.223.016</b>	<b>5.938.456</b>
<b>LIQUIDTY COVERAGE RATIO (%)</b>	-	-	<b>144</b>	<b>228</b>

(\*) 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 OF 31 DECEMBER 2022

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

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

#### VI. EXPANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

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

##### Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Year	5 Years and Over	Undistributed (**)	Total
<b>Current Period 31.12.2022</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	10.739.314	14.214.562	-	-	-	-	-	24.953.876
Banks	10.393.954	2.856.612	-	-	-	-	-	13.250.566
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	2.133.604	-	-	2.133.604
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	4.781	266.243	3.081.833	13.146.001	2.272.531	52.341	18.823.730
Loans Given <sup>(***)</sup>	-	11.892.416	22.170.993	48.174.367	47.655.682	14.684.515	280.295	144.858.268
Financial Assets Measured at Amortised Cost	-	-	-	-	2.037.537	3.286.406	-	5.323.943
Other Assets	-	-	-	-	-	-	3.012.936	3.012.936
<b>Total Assets <sup>(*)</sup></b>	<b>21.133.268</b>	<b>28.968.371</b>	<b>22.437.236</b>	<b>51.256.200</b>	<b>64.972.824</b>	<b>20.243.452</b>	<b>3.345.572</b>	<b>212.356.923</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.139.193	654.156	-	-	-	-	-	4.793.349
Current and Participation Accounts	34.372.256	76.477.299	46.038.191	11.347.111	110.892	-	-	168.345.749
Funds Provided from Other Financial Instruments	-	1.185.619	310.605	1.519.934	1.507.811	-	-	4.523.969
Money Market Borrowings	-	7.555.999	-	-	-	-	-	7.555.999
Issued Marketable Securities	-	1.643.087	2.686.137	65.017	-	-	-	4.394.241
Miscellaneous Payables	-	-	-	-	-	-	2.059.991	2.059.991
Other Liabilities <sup>(***)</sup>	-	-	-	-	-	1.341.748	19.341.877	20.683.625
<b>Total Liabilities</b>	<b>38.511.449</b>	<b>87.516.160</b>	<b>49.034.933</b>	<b>12.932.062</b>	<b>1.618.703</b>	<b>1.341.748</b>	<b>21.401.868</b>	<b>212.356.923</b>
<b>Liquidity Gap</b>	<b>(17.378.181)</b>	<b>(58.547.789)</b>	<b>(26.597.697)</b>	<b>38.324.138</b>	<b>63.354.121</b>	<b>18.901.704</b>	<b>(18.056.296)</b>	<b>-</b>
<b>Net Off Balance Sheet Position</b>	<b>-</b>	<b>(40.199)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40.199)</b>
Receivables From Derivative Financial Instruments	-	7.852.449	-	-	-	-	-	7.852.449
Financial Derivative Liabilities	-	7.892.648	-	-	-	-	-	7.892.648
<b>Non-Cash Loan</b>	<b>7.551.694</b>	<b>3.602.090</b>	<b>4.642.768</b>	<b>18.453.750</b>	<b>9.017.797</b>	<b>1.923.383</b>	<b>-</b>	<b>45.191.482</b>

(\*) The expected loss provisions for financial assets and other assets are reflected in the related accounts.

(\*\*) From the active accounts that make up the balance sheet, other assets that are required for the continuation of banking activities and that do not have the opportunity to turn into cash in a short time, such as securities representing the share in the capital and fixed assets, subsidiaries, subsidiaries, jointly controlled partnerships, stocks, prepaid expenses and net NPLs. accounts; among the liability accounts that make up the balance sheet, other liability accounts such as non-debt provisions and total equity are shown in this column.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

(\*\*\*\*) Includes receivables from lease transactions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

	Demand	Up to 1 Month	1-3 Month	3-12 Month	1-5 Years	5 Years and Over	Undistributed (**)	Total
<b>Prior Period 31.12.2021</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	5.808.237	9.481.258	-	-	-	-	-	15.289.495
Banks(*)	2.249.735	1.100.117	-	-	-	-	-	3.349.852
Financial Assets at Fair Value Through Profit and Loss	-	-	612.426	-	1.182.890	-	-	1.795.316
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	124.305	1.656.451	1.050.402	5.705.679	42.321	10.412	8.589.570
Loans Given(****)	-	324.624	4.138.241	14.441.355	35.307.502	11.826.934	361.264	66.399.920
Financial Assets Measured at Amortised Cost	-	-	-	-	1.327.957	-	-	1.327.957
Other Assets(**)	-	-	-	-	-	-	1.763.528	1.763.528
<b>Total Assets</b>	<b>8.057.972</b>	<b>11.030.304</b>	<b>6.407.118</b>	<b>15.491.757</b>	<b>43.524.028</b>	<b>11.869.255</b>	<b>2.135.204</b>	<b>98.515.638</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.148.811	522.614	-	-	-	-	-	4.671.425
Current and Participation Accounts	17.456.658	32.284.538	20.244.406	3.177.442	99.328	-	-	73.262.372
Funds Provided from Other Financial Instruments	-	686.960	382.310	439.193	499.506	-	-	2.007.969
Money Market Borrowings	-	3.784.645	-	-	-	-	-	3.784.645
Issued Marketable Securities	-	1.147.180	2.508.524	704.318	2.655.863	-	-	7.015.885
Miscellaneous Payables	-	-	-	-	-	-	1.431.779	1.431.779
Other Liabilities(***)	-	-	-	-	-	-	6.341.563	6.341.563
<b>Total Liabilities</b>	<b>21.605.469</b>	<b>38.425.937</b>	<b>23.135.240</b>	<b>4.320.953</b>	<b>3.254.697</b>	<b>-</b>	<b>7.773.342</b>	<b>98.515.638</b>
<b>Liquidity Gap</b>	<b>(13.547.497)</b>	<b>(27.395.633)</b>	<b>(16.728.122)</b>	<b>11.170.804</b>	<b>40.269.331</b>	<b>11.869.255</b>	<b>(5.638.138)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(3.836)</b>	<b>(84.902)</b>	<b>8.979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79.759)</b>
Receivables From Derivative Financial Instruments	-	813.655	746.424	35.534	-	-	-	1.595.613
Financial Derivative Liabilities	-	817.491	831.326	26.555	-	-	-	1.675.372
<b>Non-Cash Loans</b>	<b>3.768.083</b>	<b>1.938.193</b>	<b>3.436.270</b>	<b>14.190.205</b>	<b>5.433.522</b>	<b>837.192</b>	<b>-</b>	<b>29.603.465</b>

(\*) The expected loss provisions for financial assets and other assets are reflected in the related accounts.

(\*\*) From the active accounts that make up the balance sheet, other assets that are required for the continuation of banking activities and that do not have the opportunity to turn into cash in a short time, such as securities representing the share in the capital and fixed assets, subsidiaries, subsidiaries, jointly controlled partnerships, stocks, prepaid expenses and net NPLs. accounts; among the liability accounts that make up the balance sheet, other liability accounts such as non-debt provisions and total equity are shown in this column.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

(\*\*\*\*) Includes receivables from lease transactions

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### Presentation of liabilities according to their remaining maturities

Current Period	Up to 1 Month	1-3 Month	3-12 Month	1-5 Years	Over 5 Years	Total
Banks special current account and participation accounts	4.793.349	-	-	-	-	4.793.349
Other special current account and participation accounts	110.849.555	46.038.191	11.347.111	110.892	-	168.345.749
Funds borrowed from other financial institutions	1.185.619	310.605	1.519.934	1.507.811	-	4.523.969
Funds borrowed from Interbank money market	7.555.999	-	-	-	-	7.555.999
<b>Total</b>	<b>124.384.522</b>	<b>46.348.796</b>	<b>12.867.045</b>	<b>1.618.703</b>	<b>-</b>	<b>185.219.066</b>
<b>Prior Period</b>						
Banks special current account and participation accounts	4.671.425	-	-	-	-	4.671.425
Other special current account and participation accounts	49.741.196	20.244.406	3.177.442	99.328	-	73.262.372
Funds borrowed from other financial institutions	686.960	382.310	439.193	499.506	-	2.007.969
Funds borrowed from Interbank money market	3.784.645	-	-	-	-	3.784.645
<b>Total</b>	<b>58.884.226</b>	<b>20.626.716</b>	<b>3.616.635</b>	<b>598.834</b>	<b>-</b>	<b>83.726.411</b>

#### VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 31 December 2021, the leverage ratio of the Group's calculated from the average of three months is 4,25% (31 December 2021: 4,25%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as 3%.

Leverage ratio disclosure as follows

	Current Period <sup>(*)</sup> 31.12.2022	Prior Period <sup>(*)</sup> 31.12.2021
<b>Balance sheet assets</b>		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	201.004.100	88.461.224
(Assets deducted from main capital)	(665.966)	(390.397)
Assets deducted from main capital	200.338.134	88.070.827
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	9.749	7.765
Potential credit risk amount of derivative financial instruments and credit derivatives	63.445	12.518
Total risk amount of derivative financial instruments and credit derivative	73.194	20.283
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	6.714.510	572.242
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	6.714.510	572.242
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	45.415.562	28.932.751
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	45.415.562	28.932.751
<b>Equity and total risk</b>		
Main Capital	13.603.083	4.966.673
Total risk amount	252.541.401	117.596.102
<b>Leverage ratio</b>		
Leverage ratio %	5,39	4,25

(\*) Three month average of the amounts in the table are taken into account

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

**VIII. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management to be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 30 June 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (“IRB”) have not been presented.

Within the scope of risk management, there are many risks that affect the Bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of the Bank and is aimed to respond to customers’ financial needs in the most appropriate way and to support their financial success. In this context, business practices and working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in the Bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 1. Explanations on Risk Management and Risk-Weighted Assets

##### Overview of Risk Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period 31.12.2022	Prior Period 31.12.2021	Current Period 31.12.2022
1	Credit risk (excluding counterparty credit risk)	97.500.193	44.767.571	7.800.015
2	Standardized approach	97.500.193	44.767.571	7.800.015
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	108.268	42.244	8.661
5	Standardized approach for counterparty credit risk	108.268	42.244	8.661
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies - mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	918.455	343.323	73.476
17	Standardized approach	918.455	343.323	73.476
18	Internal model approaches	-	-	-
19	Operational risk	3.633.740	2.988.826	290.699
20	Basic indicator approach	3.633.740	2.988.826	290.699
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>102.160.656</b>	<b>48.141.964</b>	<b>8.172.851</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 2. Connections Between Financial Statements and the Risk Amounts

##### a) Differences between accounting consolidation and legal consolidation and matching of the subject

Current Period 31.12.2022	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk framework	Carrying value of items		
			Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and Balances at Central Bank	24.953.122	24.953.122	-	18.663.442	-
Derivative Financial Assets	14.471	-	14.471	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	2.133.604	-	-	2.133.604	-
Banks	13.251.320	13.251.320	-	13.116.663	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	18.823.730	18.823.730	14.928.992	3.626.618	-
Loans and Receivable	123.622.944	123.622.944	-	41.325.175	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	5.323.943	5.323.943	-	2.608.614	-
Investments in Associates (Net)	-	-	-	-	-
Investments in Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables form Leasing Transactions	21.235.324	21.235.324	-	6.879.132	-
Derivative Financial Assets for Hedging Purposes	-	-	-	142	-
Tangible Assets (Net)	594.942	594.942	-	843	98.174
Intangible Assets (Net)	342.454	-	-	-	342.454
Investment Properties (Net)	-	-	-	-	-
Tax Asset	788.020	788.020	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	274.644	274.644	-	-	-
Other Assets	998.405	998.405	-	73.157	-
<b>Total Assests</b>	<b>212.356.923</b>	<b>209.866.394</b>	<b>14.943.463</b>	<b>88.427.390</b>	<b>440.628</b>
<b>Liabilities</b>					
Deposits	173.139.098	-	-	67.693.024	-
Derivative Financial Liabilities	62.998	-	-	62.998	-
Funds Borrowed	4.523.969	-	-	4.182.250	-
Money Markets	7.555.999	-	-	7.498.996	-
Securities Issued (Net)	4.394.241	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	3.373.601	-	-	1.317.502	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	335.946	-	-	-	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	2.166.009	-	-	541.975	-
Tax Liability	1.487.215	-	-	2	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	3.939.402	-	-	2.597.654	-
Equity	11.378.445	-	-	(117.971)	-
<b>Total Liabilities</b>	<b>212.356.923</b>	<b>-</b>	<b>-</b>	<b>83.776.430</b>	<b>-</b>

(\*) It represents the Bank consolidated financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 2. Differences between accounting consolidation and legal consolidation and matching of the subject (Continued))

Prior Period 31.12.2021	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk framework	Carrying values of items		
			Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and Balances at Central Bank	15.289.207	15.289.207	-	12.224.478	-
Derivative Financial Assets	19.756	-	19.756	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	1.795.316	-	1.795.316	-	-
Banks	3.350.140	3.350.140	-	3.340.493	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	8.589.570	8.589.570	2.986.187	3.769.758	-
Loans and Receivable	56.853.656	56.853.654	-	24.281.583	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	1.327.957	1.327.957	-	1.327.957	-
Investments In Associates (Net)	-	-	-	-	-
Investments In Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables Form Leasing Transactions	9.546.264	9.546.264	-	5.456.144	-
Derivative Financial Assets for Hedging Purposes	-	-	-	6.992	-
Tangible Assets (Net)	301.919	301.919	-	874	33.991
Intangible Assets (Net)	223.839	-	-	-	223.839
Investment Properties (Net)	-	-	-	-	-
Tax Asset	301.329	301.329	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	307.881	307.881	-	-	-
Other Assets	608.804	608.804	-	58.127	-
<b>Total Assests</b>	<b>98.515.638</b>	<b>96.476.725</b>	<b>4.801.259</b>	<b>50.466.406</b>	<b>257.830</b>
<b>Liabilities</b>					
Deposits	77.933.797	-	-	48.219.141	-
Derivative Financial Liabilities	71.692	-	-	1.039	-
Funds Borrowed	2.007.969	-	-	1.688.051	-
Money Markets	3.784.645	-	2.498.503	-	-
Securities Issued (Net)	4.360.022	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	2.187.741	-	-	1.266.851	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	194.463	-	-	10	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	647.270	-	-	417.899	-
Tax Liability	350.441	-	-	-	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	2.655.863	-	-	1.314.363	-
Equity	4.321.736	-	-	(24.008)	-
<b>Total Liabilities</b>	<b>98.515.638</b>	<b>-</b>	<b>2.498.503</b>	<b>52.883.346</b>	<b>-</b>

(\*) It represents the Bank's consolidated financial statements.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT****2. Connections Between Financial Statements and the Risk Amount (Continued)****b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

<b>Current Period 31.12.2022</b>	<b>Total</b>	<b>Subject to credit risk framework</b>	<b>Securitization position</b>	<b>Subject to counterparty credit risk framework</b>	<b>Subject to the market risk framework</b>
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>212.356.923</b>	<b>209.866.391</b>	<b>-</b>	<b>14.943.464</b>	<b>88.427.391</b>
Liabilities carrying value amount under regulatory scope of consolidation	7.555.999	-	-	-	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>204.800.924</b>	<b>209.866.391</b>	<b>-</b>	<b>14.943.464</b>	<b>88.427.391</b>
Differences in valuations	63.045.066	46.579.392	-	16.465.675	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Amount of Risk</b>	<b>267.845.990</b>	<b>256.445.783</b>	<b>-</b>	<b>31.409.139</b>	<b>88.427.391</b>

<b>Prior Period 31.12.2021</b>	<b>Total</b>	<b>Subject to credit risk framework</b>	<b>Securitization position</b>	<b>Subject to counterparty credit risk framework</b>	<b>Subject to the market risk framework</b>
<b>Asset carrying value amount under scope of regulatory consolidation</b>	<b>98.515.638</b>	<b>96.476.725</b>	<b>-</b>	<b>4.801.259</b>	<b>50.466.406</b>
Liabilities carrying value amount under regulatory scope of consolidation	3.784.645	-	-	2.498.503	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>94.730.993</b>	<b>96.476.725</b>	<b>-</b>	<b>2.302.756</b>	<b>50.466.406</b>
Differences in valuations	34.574.913	30.750.064	-	3.824.849	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Amount of Risk</b>	<b>129.102.760</b>	<b>127.023.645</b>	<b>-</b>	<b>6.127.605</b>	<b>50.466.406</b>

*Explanations on differences between risk amounts and valued amounts in accordance with the Turkish Accounting Standards*

There is no significant difference between financial statement values of assets and liabilities and values included in capital adequacy calculation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 3. Credit Risk Explanations

##### 3.1) General information on credit risk

###### a) General qualitative information on credit risk

Effective management of credit risk is one of the important elements of a comprehensive approach to risk management. Corporate, retail and SME loans, financial lease receivables, other elements of bank assets and non-cash transactions, which are provided in connection with the activities of our bank, constitute the basis of the items that constitute credit risk. It is important to take into account the risk appetite of our bank in the activities carried out in this direction, in terms of effective credit risk management.

Credit risk limits; It has been designed in accordance with the risk levels the Bank may take, its activities, the size and complexity of its products and services, and was determined by taking the opinions and suggestions of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly reviewed and monitored periodically, adapted according to changes in market conditions, Bank strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance was reviewed and a policy was created in line with the Bank's strategies and objectives.

Credit risk calculations are made carefully and meticulously and controls are carried out in accordance with the legislation. Currently, calculations are made with the standard method, and infrastructure studies are ongoing for the use of advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit units, and legal requirements are taken into account at every stage.

Detailed reports including the credit risk exposure and its relations with other risks are periodically shared with the Board of Directors and Senior Managers, and the credit risk is effectively monitored by the risk management unit.

###### b) Credit quality of assets

	Current Period 31.12.2022	Defaulted	Non-defaulted	Allowances/Amortisation and impairments	Net values
1	Loans (*)	1.875.741	145.699.564	2.717.036	144.858.269
2	Debt Securities	-	26.415.572	134.295	26.281.277
3	Off-balance sheet exposures	-	47.301.309	23.253	47.278.056
4	<b>Total</b>	<b>1.875.741</b>	<b>219.416.445</b>	<b>2.874.584</b>	<b>218.417.602</b>

(\*) Financial lease amounting to TRY 21.235.324 is included in the table.

	Prior Period 31.12.2021	Defaulted	Non-defaulted	Allowances/Amortisation and impairments	Net values
1	Loans (*)	1.698.976	66.435.840	1.734.896	66.399.920
2	Debt Securities	-	11.834.479	121.631	11.712.848
3	Off-balance sheet exposures	-	30.750.064	29.168	30.720.896
4	<b>Total</b>	<b>1.698.976</b>	<b>109.020.383</b>	<b>1.885.695</b>	<b>108.833.664</b>

(\*) Financial lease amounting to TRY 9.546.264 is included in the table.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### c) Changes on defaulted loans and debt securities

Current Period		
1	Defaulted loans and debt securities at end of the previous reporting period	1.698.976
2	Loans and debt securities that have defaulted since the last reporting period	621.007
3	Returned to non-defaulted status	45.171
4	Amounts written off	19.016
5	Other changes <sup>(*)</sup>	(399.071)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.875.741

Prior Period		
1	Defaulted loans and debt securities at end of the previous reporting period	1.181.058
2	Loans and debt securities that have defaulted since the last reporting period	931.114
3	Returned to non-defaulted status	42.558
4	Amounts written off	-
5	Other changes <sup>(*)</sup>	(370.638)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.698.976

##### d) Additional explanations on credit quality of assets

##### i. Differences between definitions and explanations of "deferred" receivables and receivables for which "provision was allocated", and definitions of "deferred" and "provision of allocation", if any

The Bank classifies its credits and other receivables and allocates expected loss provisions pursuant to the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" published in the Official Gazette no. 29750 dated 22 June 2016. The term "Deferred Receivables" is used for credits named "Loans under Close Monitoring" whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named "Non-Performing Loans" whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets expected credit loss provisions for the stage 1 and stage 2 for credits classified as "Standard Credits" and "Under Close Monitoring" and expected loss provisions for the loans for the stage 3 for credits classified as "Non-Performing Loans".

##### ii. The portion that is not considered within the scope of "allocation of provision" among deferred receivables (over 90 days) and reasons for this practice

The Bank automatically transfers the loans over 90 days past due to the follow-up accounts in accordance with the provisions of the Regulation on Provisions and allocates the provision for the relevant class.

##### iii. Definitions of methods used for determining provision amount

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions". However, there is no provision in the relevant Regulation and the relevant explanations of the BRSA that prevents the provision of more than the minimum amounts required.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****3. Credit Risk Explanations (Continued)****iv. Definitions of restructured receivable**

Real/legal persons using credit, from time to time due to reasons beyond the control of other businesses with which they do business or their own businesses; It may face the usual risks of commercial life such as not being able to reflect excessive increases in costs to sales prices, loss of market and decrease in turnover, unexpected expenses, and problems in the collection of receivables. It is the repayment terms of our businesses that do not have a significant problem in their credit worthiness, that continue their income-generating activities, but cannot or will not be able to make their loan repayments on time due to the temporary liquidity shortage, in accordance with their cash flows.

**v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets**

	Credits		
	Impaired (TFRS 9)		
Current Period 31.12.2022	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions
Domestic	2.606.211	1.875.741	2.716.709
European Union Countries	947	-	299
USA, Canada	-	-	-
OECD Countries	-	-	-
Off-Shore Banking Regions	-	-	-
Other Countries	35	-	-
<b>Total</b>	<b>2.607.193</b>	<b>1.875.741</b>	<b>2.717.036</b>

	Credits		
	Impaired (TFRS 9)		
Prior Period 31.12.2021	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions
Domestic	2.297.608	1.698.976	1.734.896
European Union Countries	-	-	-
USA, Canada	-	-	-
OECD Countries	-	-	-
Off-Shore Banking Regions	-	-	-
Other Countries	-	-	-
<b>Total</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>1.734.896</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 3. Credit Risk Explanations (Continued)

Current Period 31.12.2022	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	5.500.021	17.124	26.798	5.490.347
Farming and Stockbreeding	3.467.038	12.293	17.495	3.461.836
Forestry	1.917.281	4.371	8.310	1.913.342
Fishing	115.702	460	993	115.169
Manufacturing	78.284.845	617.186	1.139.122	77.762.909
Mining and Quarrying	9.630.350	12.474	154.099	9.488.725
Production	66.446.221	590.702	956.522	66.080.401
Electric, Gas and Water	2.208.274	14.010	28.501	2.193.783
Construction	22.346.045	711.116	757.067	22.300.094
Services	29.076.496	526.559	751.952	28.851.103
Wholesale and Retail Trade	17.354.589	473.099	588.358	17.239.330
Hotel Food and Beverage Services	1.093.204	2.828	32.525	1.063.507
Transportation and Telecommunication	3.971.980	24.362	44.867	3.951.475
Financial Institutions	1.101.143	5.577	24.962	1.081.758
Real Estate and Leasing Services	4.503.220	20.533	42.597	4.481.156
Self Employment Services	279.921	90	5.401	274.610
Education Services	72.386	26	1.433	70.979
Health and Social Services	700.053	44	11.809	688.288
Other	10.492.156	3.756	42.097	10.453.815
<b>Total</b>	<b>145.699.563</b>	<b>1.875.741</b>	<b>2.717.036</b>	<b>142.940.396</b>

Prior Period 31.12.2021	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	1.032.686	26.015	24.374	1.034.344
Farming and Stockbreeding	642.556	19.738	18.767	643.527
Forestry	341.853	5.822	5.032	342.665
Fishing	48.277	455	575	48.152
Manufacturing	32.521.815	563.405	655.867	32.432.920
Mining and Quarrying	4.366.038	13.290	49.172	4.333.669
Production	26.444.061	545.626	594.411	26.395.333
Electric, Gas and Water	1.711.716	4.489	12.284	1.703.918
Construction	11.154.607	548.207	524.486	11.178.323
Services	16.322.248	555.593	519.657	16.356.922
Wholesale and Retail Trade	11.315.483	467.435	417.620	11.365.128
Hotel Food and Beverage Services	712.079	2.561	10.641	702.905
Transportation and Telecommunication	968.893	44.495	37.413	975.980
Financial Institutions	706.346	5.146	5.396	706.091
Real Estate and Leasing Services	1.866.056	23.503	33.645	1.855.913
Self Employment Services	156.372	174	789	155.760
Education Services	76.614	125	536	76.209
Health and Social Services	520.405	12.154	13.617	518.936
Other	5.404.484	5.756	10.512	5.397.411
<b>Total</b>	<b>66.435.840</b>	<b>1.698.976</b>	<b>1.734.896</b>	<b>66.399.920</b>

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### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 3. Credit Risk Explanations (Continued)

Current Period 31.12.2022	1 month	1-2 month	2-3 month	3+ month	Total
Loans and Receivables <sup>(1)</sup>					
Corporate / Entrepreneurial Loans	165.929	19.596	488.005	140.860	814.390
Personal Credit	79.287	16.686	3.208	238	99.419
<b>Total</b>	<b>245.216</b>	<b>36.282</b>	<b>491.213</b>	<b>141.098</b>	<b>913.809</b>

(\*) The Bank's loan amounting to TRY 1.472.544 is under close monitoring, has no delay.

Prior Period 31.12.2021	1 month	1-2 month	2-3 month	3+ month	Total
Loans and Receivables <sup>(1)</sup>					
Corporate / Entrepreneurial Loans	104.883	136.603	28.919	177.844	448.249
Personal Credit	75.326	12.546	8.912	2.720	99.504
<b>Total</b>	<b>180.209</b>	<b>149.149</b>	<b>37.831</b>	<b>180.564</b>	<b>547.753</b>

(\*) The Bank's loan amounting to TRY 1.490.386 is under close monitoring, has no delay.

##### *Breakdown of restructured receivables by allocation of provision*

Out of the Group's total restructured loans amounting to TRY 1.715.422, a portion of TRY 1.670.251 consists of performing loans and remaining portion of TRY 45.171 consists of non-performing loans. The total amount of first and second stage expected loss provisions allocated for non-performing loans is TRY 149.960 and the third stage expected loss provision for non-performing loans is TRY 6.762. (31 December 2021: Out of the Group's total restructured loans amounting to TRY 1.534.480, a portion of TRY 1.491.922 consists of performing loans and remaining portion of TRY 42.558 consists of non-performing loans. Total first and second stage expected loss provision for structured loans is TRY 61.708 and third stage expected loss provision amount allocated for non-performing loans is 72.224.

#### 3.2) Credit risk mitigation

##### a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

In the collateralization transactions related to the lending processes of the Bank, the issues that may pose a risk from now on are taken into consideration. In the bank collateral policy, risks are now managed by taking into account all risks such as failure to seize the received collateral in time or not being able to convert it into cash, refusal or delay of payment by the guarantor, failure of credit documents whose legal validity has not been sufficiently investigated to achieve the desired legal result.

Transactions carried out by the Bank within the scope of market risk are not subject to collateral.

Financial collaterals are taken into consideration in credit risk mitigation in the Bank, and real estate mortgages are not considered as collateral as a rule. Mortgage-backed receivables are a separate risk class, and the financial collaterals used in the Bank consist of cash blockage, loan guarantee fund and assignment of arising public receivables.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### b) Credit risk mitigation techniques--Overview

Current Period 31.12.2022	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans <sup>(*)</sup>	121.871.510	10.188.687	5.123.813	1.920.658	1.285.374	-	-
Debt Securities <sup>(*)</sup>	24.356.878	-	-	-	-	-	-
<b>Total</b>	<b>146.228.388</b>	<b>10.188.687</b>	<b>5.123.813</b>	<b>1.920.658</b>	<b>1.285.374</b>	<b>-</b>	<b>-</b>
Of which defaulted <sup>(*)</sup>	1.790.512	-	-	-	-	-	-

(\*) Based on the BRSA's article on "Pandemic Measures Time Extension" dated 28.04.2022, the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date has been used in the calculation of the Credit Risk Subject Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of 12.798.072 Thousand TRY in "Loans", 1.924.399 Thousand TRY in "Borrowing Instruments" and 85.229Thousand TRY in the "Defaulted" category

Priod Period 31.12.2021	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	52.412.531	4.780.715	3.720.274	3.009.663	2.536.877	-	-
Debt Securities	10.228.317	-	-	-	-	-	-
<b>Total</b>	<b>62.640.848</b>	<b>4.780.715</b>	<b>3.720.274</b>	<b>3.009.663</b>	<b>2.536.877</b>	<b>-</b>	<b>-</b>
Of which defaulted	1.570.109	-	-	-	-	-	-

(\*) Based on the BRSA's article on "Pandemic Measures Time Extension" dated 08.12.2020, the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date has been used in the calculation of the Credit Risk Subject Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of 9.206.674 Thousand TRY in "Loans", 1.484.531 Thousand TRY in "Borrowing Instruments" and 128.867 Thousand TRY in the "Defaulted" category..

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach

##### a) Qualitative explanations to be made about the rating grades used by banks when calculating credit risk with a standard approach

The Parent Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Enterprises. Receivables from Banks in the risk class, Fitch Ratings notes are used for Receivables from Resident Banks, and no rating agency notes are used for receivables from domestic resident Banks. While our country grade used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, the notes used in the Receivables from Banks and Intermediary Institutions risk class are from 1 to 6 matched with credit quality tiers..

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 3. Credit Risk Explanations (Continued))

##### b) Standard Approach - Loan risk exposure and the effects of loan risk reduction technique

	Current Period 31.12.2022	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
	<b>Risk Classes</b>						
1	Exposures to sovereigns and their central banks	39.418.258	-	40.703.630	5.330	-	0%
2	Exposures to regional and local governments	-	-	-	-	-	0%
3	Exposures to administrative bodies and non-commercial entities	506.093	39.777	334.150	19.740	349.156	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	9.897.952	834.557	9.897.952	816.668	2.680.534	25%
7	Exposures to corporates	52.981.620	32.395.335	52.364.759	20.065.010	68.080.070	94%
8	Retail exposures	10.603.931	6.593.559	9.935.418	3.062.090	8.850.408	68%
9	Exposures secured by residential property	5.321.207	121.913	5.321.206	57.074	1.882.398	35%
10	Exposures secured by commercial property	4.637.552	979.974	4.637.553	575.242	2.606.397	50%
11	Past-due items	209.537	-	209.537	-	121.651	58%
12	Exposures in high-risk categories	5.891.027	6.665	5.891.027	3.332	11.637.568	197%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	2.953.113	-	2.163.774	-	1.292.011	60%
17	Equity share investments	-	-	-	-	-	0%
18	<b>Total</b>	<b>132.420.290</b>	<b>40.971.780</b>	<b>131.459.006</b>	<b>24.604.486</b>	<b>97.500.193</b>	<b>62%</b>

	Prior Period 31.12.2021	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	RWA amount	RWA density amount
	<b>Risk simlari</b>						
1	Exposures to sovereigns and their central banks	16.859.321	-	19.378.159	17.843	-	0%
2	Exposures to regional and local governments	-	-	18.039	388	9.214	50%
3	Exposures to administrative bodies and non-commercial entities	259.913	165.759	259.913	43.926	300.425	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	2.615.679	403.825	2.615.679	395.564	796.690	26%
7	Exposures to corporates	25.101.279	18.469.122	24.142.247	11.999.030	34.696.911	96%
8	Retail exposures	6.891.139	4.461.177	5.299.430	2.088.169	5.321.772	72%
9	Exposures secured by residential property	3.412.489	51.391	3.412.489	26.108	1.203.509	35%
10	Exposures secured by commercial property	2.620.264	685.693	2.620.264	366.110	1.493.187	50%
11	Past-due items	257.585	-	257.585	-	147.146	57%
12	Exposures in high-risk categories	77.691	51	77.691	26	116.575	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	1.755.444	-	1.250.969	-	682.142	55%
17	Equity share investments	-	-	-	-	-	0%
18	<b>Total</b>	<b>59.850.804</b>	<b>24.237.018</b>	<b>59.332.464</b>	<b>14.937.164</b>	<b>44.767.571</b>	<b>60%</b>

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

##### 3. Credit Risk Explanations (Continued)

##### c) Standard Approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/ Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	Others	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	40.708.960	-	-	-	-	-	-	-	-	-	40.708.960
Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	4.708	-	33	-	-	-	349.149	-	-	-	353.890
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	10.006.939	-	57.068	-	650.613	-	-	-	10.714.620
Exposures to corporate	3.777.737	-	714.953	-	-	-	67.937.079	-	-	-	72.429.769
Retail exposures	1.067.643	-	183.444	-	-	11.730.807	15.614	-	-	-	12.997.508
Exposures secured by residential property	-	-	-	5.378.280	-	-	-	-	-	-	5.378.280
Exposures secured by commercial property	-	-	-	-	5.212.795	-	-	-	-	-	5.212.795
Past-due items	59	-	-	-	175.654	-	33.824	-	-	-	209.537
Exposures in high risk categories	-	-	-	-	-	-	-	324.150	5.566.567	3.642	5.894.359
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective in investment undertakings	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-
Other exposures	871.142	-	776	-	-	-	1.291.856	-	-	-	2.163.774
<b>Total</b>	<b>46.430.249</b>	<b>-</b>	<b>10.906.145</b>	<b>5.378.280</b>	<b>5.445.517</b>	<b>11.730.807</b>	<b>70.278.135</b>	<b>324.150</b>	<b>5.566.567</b>	<b>3.642</b>	<b>156.063.492</b>

Prior Period Risk Classes/ Risk Weight	%0	%10	%20	%35	%50	%75	%100	%150	%200	Others	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	19.396.002	-	-	-	-	-	-	-	-	-	19.396.002
Exposures to regional and local government	-	-	-	-	18.427	-	-	-	-	-	18.427
Exposures to administrative bodies and non-commercial entities	3.414	-	-	-	-	-	300.425	-	-	-	303.839
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	2.700.494	-	108.315	-	202.434	-	-	-	3.011.243
Exposures to corporate	547.254	-	727.310	-	630.527	-	34.236.187	-	-	-	36.141.278
Retail exposures	175.496	-	160.840	-	-	7.046.629	4.635	-	-	-	7.387.600
Exposures secured by residential property	-	-	-	3.438.597	-	-	-	-	-	-	3.438.597
Exposures secured by commercial property	-	-	-	-	2.986.373	-	-	-	-	-	2.986.373
Past-due items	222	-	35	-	220.378	-	36.950	-	-	-	257.585
Exposures in high risk categories	-	-	-	-	-	-	-	77.717	-	-	77.717
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective in investment undertakings	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-
Other exposures	568.826	-	-	-	-	-	682.142	-	-	-	1.250.968
<b>Total</b>	<b>20.691.214</b>	<b>-</b>	<b>3.588.679</b>	<b>3.438.597</b>	<b>3.964.020</b>	<b>7.046.629</b>	<b>35.462.773</b>	<b>77.717</b>	<b>-</b>	<b>-</b>	<b>74.269.629</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

**X. EXPLANATIONS ON RISK PROTECTION PROCEDURES**

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations.

Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors.

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are carried out at the Bank and FX and TRY liquidity risk is limited by the transactions performed.

**1) Credit risk under IRB (Internal Rating Based) Approach**

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 30 June 2016, it is given annually and quarterly. The following required tables are not presented as of 31 December 2022 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

IRB - Credit risk amounts based on IRB and Portfolio and PoD (Probability of Default) range

IRB - Effect of credit derivatives used as CRM (Credit Risk Mitigation) technique on RWA (Risk Weighted Amounts)

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

IRB (Specialized loans and stock investments subject to basic risk weight approach)

**XI. COUNTER PARTY CREDIT RISK EXPLANATIONS**

**a) Qualitative explanations on counter party credit risk**

In an attempt to identify the counter party credit risk that the Parent Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

As part of the Parent Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

It is essential that the Parent Bank manages the counter party credit risk level in a manner that keeps it above the minimum limits specified in the legal regulations.

Parent Bank risk measurement system; it takes measures to operate in a reliable and integrity manner compatible with legal regulations, fields of activity and product types, and to maintain it accordingly. In this context, as a minimum, for counter party credit risk measurement and monitoring activities; calculation of counter party credit risk weighted asset amount and legal capital requirement, and monitoring of the Bank's compliance level with regard to allocated limits are carried out

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XI. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued))

##### b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Current Period 31.12.2022	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	14.277	43.901		1,4	81.448	37.568
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					14.928.992	25.253
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>62.821</b>

(\*) Effective expected positive exposure

	Prior Period 31.12.2021	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	17.898	25.585		1,4	43.484	20.129
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.986.187	2.015
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>22.144</b>

(\*) Effective expected positive exposure

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

##### c) Capital requirement for loan valuation adjustment

	Current Period 31.12.2022	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	81.448	45.438
4	<b>Total subject to the CVA capital charge</b>	<b>81.448</b>	<b>45.438</b>

	Prior Period 31.12.2021	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	43.484	20.100
4	<b>Total subject to the CVA capital charge</b>	<b>43.484</b>	<b>20.100</b>

##### d) Standardised approach - CCR exposures by risk class and risk weight

Risk weight /Regulatory portfolio (Current Period)	%0	%10	%20	%50	%75	%100	%150	Diğer	Total credit exposure <sup>(*)</sup>
Exposures to sovereigns and their central banks	14.903.739	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	54.849	-	-	26.599	-	-	37.569
Exposures to corporates	-	-	-	-	-	25.252	-	-	25.252
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	<b>14.903.739</b>	<b>-</b>	<b>54.849</b>	<b>-</b>	<b>-</b>	<b>51.851</b>	<b>-</b>	<b>-</b>	<b>62.821</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

##### e) Standardised approach - CCR exposures by risk class and risk weight

Risk weight /Regulatory portfolio (Prior Period)	%0	%10	%20	%50	%75	%100	%150	Diğer	Total credit risk (*)
Exposures to sovereigns and their central banks	2.982.159	-	17.279	-	-	-	-	-	3.456
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	6.118	9.601	-	-	-	-	6.024
Exposures to corporates	-	-	-	4.030	-	10.153	-	-	12.169
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	330	-	495
Other exposures	-	-	-	-	-	-	-	-	-
<b>Total (*)</b>	<b>2.982.159</b>	<b>-</b>	<b>23.397</b>	<b>13.631</b>	<b>-</b>	<b>10.153</b>	<b>330</b>	<b>-</b>	<b>22.144</b>

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

##### f) Risk classes and counterparty credit risk explanation

None.

##### g) Collaterals for CCR

Current Period 31.12.2022	Collateral for derivative transactions				Collateral for derivative transactions	
	Collateral received		Collateral received		Collateral received	Collateral received
	Segregated	Segregated	Segregated	Segregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	14.928.992
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.928.992</b>

Prior Period 31.12.2021	Collateral for derivative transactions				Collateral for derivative transactions	
	Collateral received		Collateral received		Collateral received	Collateral received
	Segregated	Segregated	Segregated	Segregated		
Cash-domestic currency	-	-	-	-	2.498.503	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	2.986.187
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2.498.503</b>	<b>2.986.187</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLALANATIONS (Continued)

##### j) Credit Derivatives

None.

##### k) Risk Weight changes under CCR on the Internal Modeling Management Methods

None.

##### l) Risks related with Central Counter parties

		Exposure at default (post- CRM)	RWA
1	<b>Exposure to Qualified Central Counterparties (QCCPs)</b>	<b>377</b>	<b>8</b>
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	377	8
10	Unfunded default fund contributions	-	-
11	<b>Exposures to non-QCCPs (total)</b>	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which )	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

#### 5. Explanations on Securitization Disclosure

The Bank does not have any securitization positions as of 31 December 2022. (31 December 2021 None).

#### 6. Explanations on Market Risk

##### a) Qualitative information about market risk to be disclosed to the public

Within the framework of BRSA's regulations, the Parent Bank ensures effective management of market risk and market concentration risk arising from market risk components, in accordance with the volume, nature and complexity of its activities, taking into account the best practices

The Parent Bank ensures that measurement, monitoring, limitation, stress test and scenario analysis studies are carried out in accordance with the structure and complexity of its positions regarding market risk management and the results are reported. It is essential that new products and services are evaluated in terms of market risk.

In this context, as a minimum;

- Follow-up of the Parent Bank's accounts and positions subject to market risk and market developments affecting the value of these accounts and positions on a minimum daily basis,
- Amount calculations based on market risk to which the Bank is exposed within the framework of trading accounts,
- Analysis of the effects of up and down normal and extraordinary movements in the markets on the Bank's accounts and positions subject to market risk,
- Backtest analysis of internal models used for monitoring purposes in calculating the amount subject to market risk,
- Regarding market risk, risks limits are regularly calculates and followed up.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

##### 6. Explanations on Market Risk (Continued)

In the Parent Bank, the Board of Directors, Audit Committee and the General Manager fulfill their duties, powers and responsibilities within the scope of market risk management within the framework defined in the legislation. All Units, including the Units within the Scope of Internal Systems, fulfill their duties, powers and responsibilities within the scope of market risk management within the framework of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and their own Regulations.

In order to reveal the market risk that the Parent Bank may encounter, it is essential to carry out risk measurement and monitoring activities and to consider the results in the strategic decision-making process of the Bank.

Within the framework of these principles, at least the following analyzes are made for measurement and monitoring activities.

As a minimum within the scope of Market Risk:

- Standard Method: It is made in accordance with the Market Risk Reporting Set statements published by the BRSA.
- Value at Risk Analysis: Historical Simulation is performed using Parametric, Exponentially Weighted Moving Average (EWMA) or a different method deemed appropriate by the Bank.
- Internal Capital Requirement: Parameters determined by the BRSA and / or the Bank that may affect the financial strength of the Bank and the level of capital that will meet the risks the Bank is or may be exposed to, with stress tests and / or scenario analysis related to these parameters, a future perspective It is calculated using appropriate methods

##### b) Standard Approach

		Current Period 31.12.2022	Prior Period 31.12.2021
		RWA	RWA
	<b>Outright products</b>		
1	Profit share rate risk (general and specific)		41.713
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	786.420	281.836
4	Commodity risk	132.035	19.774
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	<b>Total</b>	<b>918.455</b>	<b>343.323</b>

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the "Communiqué on the Public Disclosures on Risk Management by Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 31 December 2022, as the standard approach is used in the Bank's market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach

Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach

Internal model approach for trading account

Comparison of VaR (Value at Risk) estimates with profit / loss

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XI. COUNTERPARTY CREDIT EXPLANATIONS (Continued)****7. Explanations on the Operational Risk**

In the Parent Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

<b>Current Period 31.12.2022</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>31.12.2021</b>	<b>Total/Number of Positive GI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross-Income	1.556.512	2.333.366	1.924.105	1.937.995	15	290.699
Amount Subject to Operational Risk(Total*12,5)	-	-	-	-	-	3.633.740

<b>Prior Period 31.12.2021</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>Total/Number of Positive GI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross-Income	892.243	1.556.512	2.333.366	1.594.041	15	239.106
Amount Subject to Operational Risk(Total*12,5)	-	-	-	-	-	2.988.826

	<b>31.12.2013</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>Number of Total/Positi ve ROI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Corporate Finance	-	-	-	-	18	-
Purchase-Sale	-	-	-	-	18	-
Retail Banking	-	-	-	-	12	-
Retail Brokerage	-	-	-	-	12	-
Commercial Banking	-	-	-	-	15	-
Clearing and Payments	-	-	-	-	18	-
Agency Services	-	-	-	-	15	-
Asset Management	-	-	-	-	12	-
Amount Subject to Operational Risk (Total*12,5)	-	-	-	-	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

The Bank operates in retail, corporate / entrepreneurial banking, treasury / investment banking.

#### Table for Segment Reporting

Current Period 1 January - 31 December 2022	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
Profit Shares Income	1.011.164	14.098.916	5.083.818	37.362	20.231.260
Profit Shares Expense	(3.691.403)	(6.810.928)	(1.924.433)	(62.009)	(12.488.773)
Net Profit Shares Income/Expense	(2.680.239)	7.287.988	3.159.385	(24.647)	7.742.487
Net Fees and Commission Income/Expense	100.727	292.805	-	(147.587)	245.945
Dividend Income	-	-	774	-	774
Trading Income/Loss (Net)	-	-	1.214.691	-	1.214.691
Other Operating Income	-	862.404	-	13.850	876.254
Provision for Expected Losses	(104.133)	(1.535.025)	-	(230.736)	(1.869.894)
Other Operating Expense	-	(85.494)	-	(2.660.997)	(2.746.491)
Net Operating Profit/Loss	(2.683.645)	6.822.678	4.374.850	(3.050.117)	5.463.766
Tax Provision	-	-	-	(1.623.494)	(1.623.494)
Net Profit/Loss	(2.683.645)	6.822.678	4.374.850	(4.673.611)	3.840.272
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	2.133.604	-	2.133.604
Banks <sup>(*)</sup>	-	-	13.251.320	-	13.251.320
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	18.823.730	-	18.823.730
Loans <sup>(*)(**)</sup>	9.316.981	135.071.172	470.115	-	144.858.268
Financial Assets Measured at Amortised Cost	-	-	5.323.943	-	5.323.943
Derivative Financial Assets	-	-	14.471	-	14.471
Partnership Investment	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	27.951.587	27.951.587
<b>Total Segment Assets</b>	<b>9.316.981</b>	<b>135.071.172</b>	<b>40.017.183</b>	<b>27.951.587</b>	<b>212.356.923</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	72.592.476	100.546.622	-	-	173.139.098
Derivative Financial Liabilities	-	-	62.998	-	62.998
Funds Borrowed	-	-	4.523.969	-	4.523.969
Money Market Funds	-	-	7.555.999	-	7.555.999
Securities Issued (Net)	-	-	4.394.241	-	4.394.241
Provisions	-	-	-	2.166.009	2.166.009
Other Liabilities	-	-	-	9.136.164	9.136.164
Shareholders' Equity	-	-	-	11.378.445	11.378.445
<b>Total Segment Liabilities</b>	<b>72.592.476</b>	<b>100.546.622</b>	<b>16.537.207</b>	<b>22.680.618</b>	<b>212.356.923</b>

(\*) Includes expected loss provisions.

(\*\*) Includes lease receivables

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Prior Period 1 January - 31 December 2021	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
Profit Shares Income	549.574	4.721.896	964.827	23.619	6.259.916
Profit Shares Expense	(1.142.017)	(2.034.310)	(1.534.579)	(34.471)	(4.745.377)
Net Profit Shares Income/Expense	(592.443)	2.687.586	(569.752)	(10.852)	1.514.539
Net Fees and Commission Income/Expense	32.988	156.942	-	(42.596)	147.334
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	214.813	-	214.813
Other Operating Income	-	542.896	-	8.742	551.638
Provision for Expected Losses	(71.994)	(810.585)	-	(75.983)	(958.562)
Other Operating Expense	-	(10.045)	-	(729.546)	(739.591)
Net Operating Profit/Loss	(631.449)	2.566.794	(354.939)	(850.235)	730.171
Tax Provision	-	-	-	(171.482)	(171.482)
Net Profit/Loss	(631.449)	2.566.794	(354.939)	(1.021.717)	558.689
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	1.795.316	-	1.795.316
Banks <sup>(*)</sup>	-	-	3.350.140	-	3.350.140
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	8.589.570	-	8.589.570
Loans <sup>(*)(**)</sup>	5.402.018	60.821.448	176.454	-	66.399.920
Financial Assets Measured at Amortised Cost	-	-	1.327.957	-	1.327.957
Derivative Financial Assets	-	-	19.756	-	19.756
Partnership Investment	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	17.032.979	17.032.979
<b>Total Segment Assets</b>	<b>5.402.018</b>	<b>60.821.448</b>	<b>15.259.193</b>	<b>17.032.979</b>	<b>98.515.638</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	41.898.392	36.035.405	-	-	77.933.797
Derivative Financial Liabilities	-	-	71.692	-	71.692
Funds Borrowed	-	-	2.007.969	-	2.007.969
Money Market Funds	-	-	3.784.645	-	3.784.645
Securities Issued (Net)	-	-	4.360.022	-	4.360.022
Provisions	-	-	-	647.270	647.270
Other Liabilities	-	-	-	5.388.508	5.388.508
Shareholders' Equity	-	-	-	4.321.735	4.321.735
<b>Total Segment Liabilities</b>	<b>41.898.392</b>	<b>36.035.405</b>	<b>10.224.328</b>	<b>10.357.513</b>	<b>98.515.638</b>

(\*) Includes expected loss provisions

(\*\*) Includes lease receivables.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES****a) Information regarding the fair value of Financial assets and liabilities:**

<b>Current Period 31.12.2022</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>185,960,864</b>	<b>183,201,517</b>
Due from Interbank Money Market	-	-
Banks	13,251,320	12,933,668
Financial Assets Measured at Fair Value Through Other Comprehensive Income	19,810,297	19,810,297
Financial Assets Measured at Amortised Cost	5,323,943	4,212,737
Loans	147,575,304	146,244,815
<b>Financial Liabilities</b>	<b>185,194,264</b>	<b>185,103,964</b>
Bank Deposits	4,793,348	4,793,348
Other Deposits	168,345,749	168,345,849
Funds Borrowed from Other Financial Institutions	9,995,177	9,904,777
Issued Marketable Securities	-	-
Miscellaneous Payables	2,059,990	2,059,990

<b>Prior Period 31.12.2021</b>	<b>Book Value</b>	<b>Fair Value</b>
<b>Financial Assets</b>	<b>81,402,484</b>	<b>79,469,675</b>
Due from Interbank Money Market	-	-
Banks	3,350,141	3,350,153
Financial Assets Measured at Fair Value Through Other Comprehensive Income	8,589,570	8,589,570
Financial Assets Measured at Amortised Cost	1,327,957	1,475,438
Loans	68,134,816	66,054,514
<b>Financial Liabilities</b>	<b>85,530,423</b>	<b>85,491,080</b>
Bank Deposits	4,684,079	4,684,079
Other Deposits	73,249,719	73,249,819
Funds Borrowed from Other Financial Institutions	6,164,846	6,125,403
Issued Marketable Securities	-	-
Miscellaneous Payables	1,431,779	1,431,779

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest

**b) Information on fair value measurements recognized in the financial statements:**

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related notes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued))****XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND  
LIABILITIES (Continued)**

Current Period 31.12.2022	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	-	<b>2.133.604</b>	-	<b>2.133.604</b>
Government Debt Securities	-	2.133.604	-	2.133.604
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>15.144.771</b>	<b>3.626.618</b>	<b>52.341</b>	<b>18.823.730</b>
Marketable Securities	-	-	52.341	52.341
Government Debt Securities	15.139.990	3.626.618	-	18.766.608
Other Marketable Securities	4.781	-	-	4.781
<b>Derivative Financial Assets</b>	-	<b>14.471</b>	-	<b>14.471</b>
<b>Total Assets</b>	<b>15.144.771</b>	<b>5.774.693</b>	<b>52.341</b>	<b>20.971.805</b>
<b>Derivative Financial Liabilities</b>	-	<b>62.998</b>	-	<b>62.998</b>
<b>Total Liabilities</b>	-	<b>62.998</b>	-	<b>62.998</b>

Prior Period 31.12.2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	-	<b>1.795.316</b>	-	<b>1.795.316</b>
Government Debt Securities	-	1.795.316	-	1.795.316
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>8.579.158</b>	-	<b>10.412</b>	<b>8.589.570</b>
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	7.920.917	-	-	7.920.917
Other Marketable Securities	658.241	-	-	658.241
<b>Derivative Financial Assets</b>	-	<b>19.756</b>	-	<b>19.756</b>
<b>Total Assets</b>	<b>8.579.158</b>	<b>1.815.072</b>	<b>10.412</b>	<b>10.404.642</b>
<b>Derivative Financial Liabilities</b>	-	<b>71.692</b>	-	<b>71.692</b>
<b>Total Liabilities</b>	-	<b>71.692</b>	-	<b>71.692</b>

**XIV. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT OF  
OTHER PARTIES**

The Bank does not provide trading, custody and fund management services on behalf and account of its customers. The bank does not make faith-based transaction contracts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

##### 1.a) Information on cash and balances with Central Bank of the Republic of Turkey

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Cash /Foreign Currency	121.498	827.299	55.164	478.398
Central Bank of the Republic of Turkey(*)	6.189.305	17.634.063	3.011.049	11.477.192
Other	-	202.080	-	268.888
<b>Total</b>	<b>6.310.803</b>	<b>18.663.442</b>	<b>3.066.213</b>	<b>12.224.478</b>

(\*) According to the letter of BRSA dated 3 January 2008, it includes the average TRY required reserve balance.

##### 1.a.1) Information on Required Reserves

According to the CBRT's "Communiqué No 2013/15 on Required Reserves", the Parent Bank maintains required reserves at the CBRT for its Turkish and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the CBRT.

Banks establish required reserves at the Central Bank of the Republic of Türkiye for their Turkish Lira and foreign currency liabilities specified in the aforementioned communiqué. Establishment of required reserves begins on Friday, two weeks after the liability calculation date, and lasts for 14 days. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the Central Bank of the Republic of Türkiye. Required reserve ratios vary according to the maturity structure of the liabilities and are applied between 3% and 8% for Turkish Lira deposits and other liabilities, and between 5% and 26% for foreign currency deposits and other liabilities.

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, the conversion rate from foreign currency deposit accounts in US dollars, Euros and British Pounds and participation fund accounts in foreign currency to time deposits and participation funds in Turkish lira as of the obligation date of 2/9/2022 It has been decided not to apply an annual commission of 5% to the banks that have reached the 5% level and the 50% level as of the 2/9/2022 obligation date, up to the amount to be kept for their liabilities until the end of 2022

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

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	6.189.305	17.634.063	3.011.049	11.477.192
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
<b>Total</b>	<b>6.189.305</b>	<b>17.634.063</b>	<b>3.011.049</b>	<b>11.477.192</b>

(\*) "Required reserves in TRY, FC and Gold established in accordance with the "Communiqué on Reserves" are included in the amounts in the table.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**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 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Banks				
Domestic Banks	134.657	10.334.683	9.647	1.750.708
Foreign Banks	-	2.781.980	-	1.589.785
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>134.657</b>	<b>13.116.663</b>	<b>9.647</b>	<b>3.340.493</b>

**Information on foreign bank accounts**

	Free Amount		Non-Free Amount	
	Current Period 31.12.2022	Prior Period 31.12.2021	Current Period 31.12.2022	Prior Period 31.12.2021
EU-Countries	1.970.439	1.118.926	-	-
USA-CANADA	151.058	299.273	-	-
OECD Countries*	275.693	22.156	-	-
Offshore Banking Regions	-	-	-	-
Other	384.790	149.430	-	-
<b>Total</b>	<b>2.781.980</b>	<b>1.589.785</b>	<b>-</b>	<b>-</b>

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

**3. Financial assets at fair value through profit or loss**

	Current Period 31.12.2022	Prior Period 31.12.2021
Financial Assets at Fair Value Through Profit / Loss	2.121.486	1.787.541
Other Dividends and Income Rediscounts	12.118	7.775
Provision for Impairment (-)	-	-
<b>Total</b>	<b>2.133.604</b>	<b>1.795.316</b>

**4. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements**

	Current Period 31.12.2022	Prior Period 31.12.2021
Assets Subject to Repurchase Agreements	5.876.865	2.520.412
Assets Blocked/Given as Collateral	5.640.357	432.735
<b>Total (*)</b>	<b>11.517.222</b>	<b>2.953.147</b>

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

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

	Current Period 31.12.2022	Prior Period 31.12.2021
Debt Securities	18.905.683	8.700.787
Quoted in Stock Exchange	18.905.683	8.700.787
Not Quoted in Stock Exchange	-	-
Share Certificates	52.341	10.412
Quoted in Stock Exchange	52.341	10.412
Not Quoted in Stock Exchange (*)	52.341	10.412
Provision for Impairment (-)**	134.294	121.629
<b>Total</b>	<b>18.823.730</b>	<b>8.589.570</b>

(\*) The afore-mentioned amounts consist of TRY 3.581 , TRY 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2,86% and 41.101 TRY Export Development Inc. from amounts paid as capital commitments are shown in the line that is not traded in the stock exchange (31 December 2021: TRY 7.659 Credit Guarantee Fund, TRY 2.753 JCR Eurasia Rating A.Ş.)

(\*\*) Includes negative differences between the acquisition costs of financial assets and market prices

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

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

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Forward Transactions	-	-	12.764	2.138
Swap Transactions	14.218	-	-	4.854
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	111	142	-	-
<b>Total</b>	<b>14.329</b>	<b>142</b>	<b>12.764</b>	<b>6.992</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 31.12.2022		Prior Period 31.12.2021	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	2.374	-	1.646	-
Corporate Shareholders	2.374	-	1.646	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	101.173	-	12.097	-
<b>Total (*)</b>	<b>103.547</b>	<b>-</b>	<b>13.743</b>	<b>-</b>

(\*) Includes rediscount amounts.

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

Current Period 31.12.2022				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured	
Cash Loans			Loans with revised contract terms	Refinancing
Loans <sup>(*)</sup>	118.299.799	1.177.498	382.172	713.273
Export Loans	24.216.793	5.932	-	-
Import Loans	68.120	-	-	-
Commercial Loans	77.531.136	1.070.680	382.172	713.273
Consumer Loans	9.022.405	76.370	-	-
Credit Cards	103.556	301	-	-
Loans Given to Financial Sector	470.115	-	-	-
Other <sup>(**)</sup>	6.887.674	24.215	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	3.778.087	45.353	6.964	61.093
<b>Total</b>	<b>122.077.886</b>	<b>1.222.851</b>	<b>389.136</b>	<b>774.366</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

Prior Period 31.12.2021		Loans Under Close Monitoring		
Cash Loans	Standard Loans and Other Receivables	Not Under the Scope of Restructuring	Restructured	
			Loans with revised contract terms	Refinancing
Loans	53.768.738	726.044	146.424	1.070.927
Export Loans	6.068.843	1.725	-	-
Import Loans	133.565	-	-	-
Commercial Loans	38.789.834	666.068	146.424	1.070.927
Consumer Loans	5.250.103	48.224	-	-
Credit Cards	27.404	168	-	-
Loans Given to Financial Sector	176.454	-	-	-
Other	3.322.535	9.859	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	1.082.699	52.153	22	42.569
<b>Total</b>	<b>54.851.437</b>	<b>778.197</b>	<b>146.446</b>	<b>1.113.496</b>

(\*) Related amounts do not include financial lease receivables.

(\*\*) As of 31 December 2022, TRY39.525 (31 December 2021: TRY39.633) of the related balance consists of funds provided by the musharakah partnership financing method. As of 31 December 2022, the Bank has accounted for these fixed musharakah financing loans, which it carries in its statement of financial position, at historical cost in accordance with Interest-Free Finance Accounting Standard 4: Musharakah Financing “FFMS 4” Article 2/3/1..

Expected Credit Loss of Stage 1 and Stage 2	Current Period 31.12.2022		Prior Period 31.12.2021	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	683.003	-	228.215	-
Significant Increase in Credit Risk	-	438.587	-	168.969

No. of extensions	Current Period 31.12.2022		Prior Period 31.12.2021	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
1 or 2 Times Extended	619.977	1.095.445	294.941	1.217.351
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
<b>Total</b>	<b>619.977</b>	<b>1.095.445</b>	<b>294.941</b>	<b>1.217.351</b>

Extension Periods	Current Period 31.12.2022		Prior Period 31.12.2021	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
0 - 6 Months	10.092	183.452	31	28.422
6 Months – 12 Months	3.703	11.816	7.784	11.784
1 - 2 Years	196.105	729.732	173.766	591.041
2 - 5 Years	50.014	14.235	101.508	558.319
5 Years and Over	360.063	156.210	11.852	27.785
<b>Total</b>	<b>619.977</b>	<b>1.095.445</b>	<b>294.941</b>	<b>1.217.351</b>

##### c) Loans According to maturity structure

Current Period 31.12.2022		Loans Under Close Monitoring	
Cash Loans	Standard Loans and Other Receivables	Loans Not Subject to Restructuring	Restructured
Short-term Loans	64.301.236	850.575	302.805
Medium and Long-term Loans	53.998.563	326.923	79.367
<b>Total</b>	<b>118.299.799</b>	<b>1.177.498</b>	<b>382.172</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

Prior Period 31.12.2021			
Cash Loans	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	12.976.249	355.450	8.987
Medium and Long-term Loans	40.792.489	370.594	1.208.364
<b>Total</b>	<b>53.768.738</b>	<b>726.044</b>	<b>1.217.351</b>

##### d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards

Current Period 31.12.2022	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TRY</b>	<b>29.231</b>	<b>8.971.697</b>	<b>9.000.928</b>
Housing Loans	4.682	7.945.631	7.950.313
Vehicle Loans	7.200	712.313	719.513
Consumer Loans	17.349	313.753	331.102
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TRY</b>	<b>101.677</b>	<b>42</b>	<b>101.719</b>
With Installment	25.743	14	25.757
Without Installment	75.934	28	75.962
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TRY</b>	<b>3.798</b>	<b>94.049</b>	<b>97.847</b>
Housing Loans	-	14.546	14.546
Vehicle Loans	-	3.128	3.128
Consumer Loans	3.798	76.375	80.173
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>2.131</b>	<b>7</b>	<b>2.138</b>
With Installment	701	-	701
Without Installment	1.430	7	1.437
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TRY (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total <sup>(*)</sup></b>	<b>136.837</b>	<b>9.065.795</b>	<b>9.202.632</b>

(\*) Dividend accrual amounting to TRY114.394 is not included in the table

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### I. Information on consumer loans, individual credit cards, personnel

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

Prior Period 31.12.2021	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TRY</b>	<b>12.812</b>	<b>5.275.390</b>	<b>5.288.202</b>
Housing Loans	2.438	4.908.801	4.911.239
Vehicle Loans	2.146	142.921	145.067
Consumer Loans	8.228	223.668	231.896
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TRY</b>	<b>25.620</b>	<b>44</b>	<b>25.664</b>
With Installment	7.247	35	7.282
Without Installment	18.373	9	18.382
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TRY</b>	<b>157</b>	<b>9.968</b>	<b>10.125</b>
Housing Loans	-	2.698	2.698
Vehicle Loans	-	128	128
Consumer Loans	157	7.142	7.299
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TRY</b>	<b>1.901</b>	<b>7</b>	<b>1.908</b>
With Installment	353	1	354
Without Installment	1.548	6	1.554
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TRY (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>40.490</b>	<b>5.285.409</b>	<b>5.325.899</b>

(\*) Dividend accrual amounting to TRY 76.119 is not included in the table..

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### 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 installment commercial loans and corporate credit cards

Current Period 31.12.2022	Short-Term	Medium and Long-Term	Total
<b>Installment Commercial Loans-TRY</b>	<b>1.262.469</b>	<b>1.102.386</b>	<b>2.364.855</b>
Business Loans	1.831	36.212	38.043
Vehicle Loans	1.260.638	1.066.174	2.326.812
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>1.132</b>	<b>59.218</b>	<b>60.350</b>
With Installment	-	-	-
Without Installment	1.132	59.218	60.350
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -TRY</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-TRY (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1.263.601</b>	<b>1.161.604</b>	<b>2.425.205</b>

Prior Period 31.12.2021	Short-Term	Medium and Long-Term	Total
<b>Installment Commercial Loans-TRY</b>	<b>122.846</b>	<b>829.455</b>	<b>952.301</b>
Business Loans	-	35.282	35.282
Vehicle Loans	122.846	794.173	917.019
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>20</b>	<b>20</b>
Business Loans	-	-	-
Vehicle Loans	-	20	20
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>-</b>	<b>44.336</b>	<b>44.336</b>
With Installment	-	-	-
Without Installment	-	44.336	44.336
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -TRY</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-TRY (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Toplam</b>	<b>122.846</b>	<b>873.811</b>	<b>996.657</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

###### 6. Information relates to loans (Continued)

###### e) Loans according to types of borrower:

	Current Period 31.12.2022	Prior Period 31.12.2021
Public	10.034.189	1.858.537
Private	110.538.553	53.853.596
Profit Share Income Accruals and Rediscounts	3.891.497	1.177.443
<b>Total *</b>	<b>124.464.239</b>	<b>56.889.576</b>

(\*) Financial lease receivables and non-performing loans are not included.

###### f) Breakdown of domestic and international loans

	Current Period 31.12.2022	Prior Period 31.12.2021
Domestic Loans	119.721.638	54.953.912
Foreign Loans	851.104	758.221
Profit Share Income Accruals and Rediscounts	3.891.497	1.177.443
<b>Total (*)</b>	<b>124.464.239</b>	<b>56.889.576</b>

(\*) Financial lease receivables and non-performing loans are not included.

###### g) Loans granted to subsidiaries and participations

As of 31 December 2022, the Bank has no loans granted to subsidiaries and participations (31 December 2021: None).

###### h) Provision for default (Stage 3/Specific Provision)

	Current Period 31.12.2022	Prior Period 31.12.2021
Loans and receivables with limited collectability	6.432	16.240
Loans and receivables with doubtful collectability	94.372	252.060
Uncollectible loans and other receivables	1.494.642	1.069.412
<b>Total</b>	<b>1.595.446</b>	<b>1.337.712</b>

###### i) Information on lease receivables

###### i.1) Analysis of investment made in financial leasing by remaining maturity

	Current Period 31.12.2022		Prior Period 31.12.2021	
	Gross	Net	Gross	Net
Less than 1 year	189.351	179.909	449.965	431.939
1-5 year	16.491.827	14.005.363	8.174.378	7.132.872
More than 5 years	8.160.207	7.050.052	2.363.504	1.981.453
<b>Total</b>	<b>24.841.385</b>	<b>21.235.324</b>	<b>10.987.847</b>	<b>9.546.264</b>

###### i.2) Information on Net Investments Made in Financial Leasing

	Current Period 31.12.2022	Prior Period 31.12.2021
Gross Lease Receivable	24.841.385	10.987.847
Financial Income Unearned From Financial Leasing (-)	(3.606.061)	(1.441.583)
Canceled Rental Amounts	-	-
<b>Total</b>	<b>21.235.324</b>	<b>9.546.264</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

As of 31 December 2022, the sum of the Bank's non-performing loans restructured or rescheduled for a new redemption plan and other receivables is TRY167.624 (31 December 2021: TRY157.499).

##### j.2) Information on the movement of total non-performing loans

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
<b>Current Period 31.12.2022</b>			
<b>Ending balance of prior period</b>	<b>41.467</b>	<b>391.196</b>	<b>1.266.313</b>
Additions in the current period (+)	283.521	26.482	311.004
Transfers from other categories of non-performing loans (+)	-	263.830	464.576
Transfers to other categories of non-performing loans (-)	263.830	464.576	-
Collections in the current period (-)	37.824	38.627	348.775
Write offs (-) <sup>(*)</sup>	-	-	19.016
Corporate and commercial loans	-	-	19.016
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>23.334</b>	<b>178.305</b>	<b>1.674.102</b>
Expected Loss Provision (Stage 3) (-)	6.432	94.372	1.494.642
<b>Net balance on balance sheet</b>	<b>16.902</b>	<b>83.933</b>	<b>179.460</b>

(\*) Includes transfers to first and second group loans amounting to TRY 45.171.

(\*\*) It is the amount that has been transferred from the financial statements in accordance with the transfer of receivables agreements while being monitored in the non-performing receivables accounts of the Bank.

	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>Prior Period 31.12.2021</b>			
<b>Ending balance of prior period</b>	<b>155.555</b>	<b>195.532</b>	<b>324.195</b>
Additions in the current period (+)	454.803	230.798	240.742
Transfers from other categories of non-performing loans (+)	-	392.746	503.145
Transfers to other categories of non-performing loans (-)	392.746	503.145	-
Collections in the current period (-)	14.165	143.531	161.825
Write offs (-) <sup>(*)</sup>	-	-	101.046
Corporate and commercial loans	-	-	101.046
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>203.447</b>	<b>172.400</b>	<b>805.211</b>
Expected Loss Provision (Stage 3) (-)	83.330	89.754	615.759
<b>Net balance on balance sheet</b>	<b>120.117</b>	<b>82.646</b>	<b>189.452</b>

(\*) Includes transfers to first and second group loans amounting to TRY 42.558.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

	III. Grup Allocated for Loans with Limited Collection	IV. Grup Allocated for Doubtful Loans	V. Grup Allocated for Loss Loans
<b>Current Period</b> <b>31.12.2022</b>			
<b>Ending Balance</b>	-	-	<b>316.515</b>
Provision for Expected Loss (Stage 3) (-)	-	-	302.296
<b>Net Balance in the Balance Sheet</b>	-	-	<b>14.219</b>

	III. Grup Allocated for Loans with Limited Collection	IV. Grup Allocated for Doubtful Loans	V. Grup Allocated for Loss Loans
<b>Prior Period</b> <b>31.12.2021</b>			
<b>Ending Balance</b>	-	<b>14.502</b>	<b>415.568</b>
Provision for Expected Loss (Stage 3) (-)	-	8.142	358.580
<b>Net Balance in the Balance Sheet</b>	-	<b>6.360</b>	<b>56.988</b>

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

	III. Grup: Loans and other receivables with limited collectability	IV. Grup: Loans and other receivables with doubtful collectability	V. Grup: Uncollectible loans and other receivables
<b>Current Period (Net)</b>	<b>16.902</b>	<b>83.933</b>	<b>179.460</b>
Loans to Real Persons and Legal Entities (Gross)	23.334	178.305	1.674.102
Specific Provisions (-)	6.432	94.372	1.494.642
Loans to Real Persons and Legal Entities (Net)	16.902	83.933	179.460
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Gross)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>25.227</b>	<b>139.136</b>	<b>196.901</b>
Loans to Real Persons and Legal Entities (Gross)	41.467	391.196	1.266.313
Specific Provisions (-)	16.240	252.060	1.069.412
Loans to Real Persons and Legal Entities (Net)	25.227	139.136	196.901
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:

	III. Grup: Loans with limited collectability	IV. Grup: Loans with doubtful collectability	V. Grup: Uncollectible loans
<b>Current Period (Net)</b>	<b>1.108</b>	<b>8.692</b>	<b>26.287</b>
Profit Share Accrual and Valuation Differences Provision	1.592	18.930	234.022
Provision Amount (-)	484	10.238	207.735
<b>Prior Period (Net)</b>	<b>1.187</b>	<b>10.960</b>	<b>32.372</b>
Profit Share Accrual and Valuation Differences Provision	2.009	26.474	192.499
Provision Amount (-)	822	15.514	160.127

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

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

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

**Provision changes according to TFRS 9**

	Current Period 31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>228.215</b>	<b>168.969</b>	<b>1.337.712</b>	<b>1.734.896</b>
Addition	485.668	317.304	424.277	1.227.249
Disposals (-)	(34.775)	(43.055)	(140.365)	(218.195)
Sold (-)	-	-	-	-
Deleted From Actual (-)	-	-	(19.016)	(19.016)
Transfer to Stage 1	5.922	(5.922)	-	-
Transfer to Stage 2	(1.908)	3.168	(1.260)	-
Transfer to Stage 3	(119)	(1.877)	1.996	-
<b>Balance at the Closing of the Period</b>	<b>683.003</b>	<b>438.587</b>	<b>1.595.446</b>	<b>2.717.036</b>

	Prior Period 31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>128.318</b>	<b>236.065</b>	<b>788.843</b>	<b>1.153.226</b>
Addition	140.975	107.509	541.460	789.944
Disposals (-)	(33.896)	(87.199)	(87.179)	(208.274)
Sold (-)	-	-	-	-
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	548	(539)	(9)	-
Transfer to Stage 2	(6.923)	7.084	(161)	-
Transfer to Stage 3	(807)	(93.951)	94.758	-
<b>Balance at the Closing of the Period</b>	<b>228.215</b>	<b>168.969</b>	<b>1.337.712</b>	<b>1.734.896</b>

**Cash loan changes according to TFRS 9**

	Current Period 31.12.2022			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>64.138.232</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>68.134.816</b>
Addition	92.459.463	670.448	302.147	93.432.058
Disposals (-)	(13.464.181)	(311.245)	(197.128)	(13.972.554)
Sold (-)	-	-	-	-
Deleted From Actual (-)	-	-	(19.016)	(19.016)
Transfer to Stage 1	595.057	(595.057)	-	-
Transfer to Stage 2	(591.586)	603.326	(11.740)	-
Transfer to Stage 3	(44.615)	(57.887)	102.502	-
<b>Balance at the Closing of the Period</b>	<b>143.092.370</b>	<b>2.607.193</b>	<b>1.875.741</b>	<b>147.575.304</b>

(\*) Includes TRY 21.014.484 in the first stage and TRY 220.840 in the second stage.

	Prior Period 31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>40.426.874</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>43.359.636</b>
Addition	33.320.802	351.643	388.703	34.061.148
Disposals (-)	(8.813.386)	(78.268)	(245.152)	(9.136.806)
Sold (-)	-	-	-	-
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	159.267	(155.657)	(3.610)	-
Transfer to Stage 2	(878.056)	893.328	(15.272)	-
Transfer to Stage 3	(77.269)	(465.142)	542.411	-
<b>Balance at the Closing of the Period</b>	<b>64.138.232</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>68.134.816</b>

(\*) Includes TRY 9.286.795 in the first stage and TRY 259.469 in the second stage..

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

###### l) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

###### m) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

##### 7. Financial assets at amortized cost

###### a) a) Information on government debt securities measured at amortized cost

	Current Period 31.12.2022	Prior Period 31.12.2021
Debt Securities	5.323.943	1.327.957
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	5.323.943	1.327.957
Provision of Impairment (-)	-	-
<b>Total</b>	<b>5.323.943</b>	<b>1.327.957</b>

###### b) Information on financial assets valued at amortized cost

None (31 December 2021: None).

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

As of 31 December 2022, the Group's government debt securities measured at amortized cost is TRY 5.323.943 (31 December 2021: TRY 1.327.957).

	Current Period 31.12.2022	Prior Period 31.12.2021
Balances at Beginning of Period	1.327.957	779.437
Foreign Currency Differences on Monetary Assets	264.482	396.879
Purchases during the Period (*)	3.731.504	151.641
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	<b>5.323.943</b>	<b>1.327.957</b>

(\*) Rediscounts are shown in "Purchases during the Period" line.

##### 8. Information on assets related to trading in investments and discontinued operations

As of 31 December 2022, the Group's assets held for sale are TRY 274.644 (31 December 2021: TRY 307.881).

	Current Period 31.12.2022	Prior Period 31.12.2021
<b>Beginning Balance (Net)</b>	<b>307.881</b>	<b>75.240</b>
Changes During the Period (Net)	(33.237)	232.641
Amount of depreciation	-	-
Provision for Impairment	-	-
<b>Period End Balance (Net) (*)</b>	<b>274.644</b>	<b>307.881</b>

(\*) The Group has fiduciary rights over TRY 211.940 (31 December 2021: TRY 247.112) of assets held for sale

As of 31 December 2022, the Bank has no discontinued operations (31 December 2021: None)

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 9. Equity Investments

###### a) Information about investments in associates (net)

None (31 December 2021: None).

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

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

Ziraat Katılım Varlık Kiralama A.Ş. ("Company"), with a capital of TRY 50.000 fully paid by Ziraat Katılım Bankası Anonim Şirketi, on 22 January 2016 with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, as per the Capital Markets Board ("CMB") dated 7 June 2013 and It was established to issue lease certificates exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette No. 28760.

ZKB Varlık Kiralama A.Ş. ("Company"), with its capital of 50.000 TRY fully paid by Ziraat Katılım Bankası Anonim Şirketi, on 8 September 2017 with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, as per the Capital Markets Board ("CMB") dated 7 June 2013 and It was established to issue lease certificates exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette No. 28760.

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior Period Income/Loss	Fair Value	Needed Shareholders Equity
1 <sup>(*)</sup>	5.381.310	398	-	851.603	-	55	176	-	-
2 <sup>(*)</sup>	128	117	-	142	-	30	4	-	-

(\*) Independently audited financial statements of 31 December 2022 are used

	Current Period 31.12.2022	Prior Period 31.12.2021
Balance at the beginning of the year	430	250
Movements during the year	53	180
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	53	180
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment (-)	-	-
Balance at the end of the year	483	430
Capital commitments	-	-
Share percentage at the end of the year (%)	%100	%100

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

###### 9. Equity Investments (Continued)

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

###### b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 31.12.2022	Prior Period 31.12.2021
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

###### b.3) Subsidiaries that are quoted on the stock exchange

None (31 December 2021: None).

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

None (31 December 2021: None).

##### 10. 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	-	222.021	145.213	34.930	72.612	-	474.776
Accumulated Depreciation (-)	-	69.971	53.111	11.154	38.621	-	172.857
<b>Net Book Value</b>	-	<b>152.050</b>	<b>92.102</b>	<b>23.776</b>	<b>33.991</b>	-	<b>301.919</b>
<b>Current Period End:</b>							
Net Book Value at the Beginning of the Period	-	152.050	92.102	23.776	33.991	-	301.919
Change During the Period (Net)	-	125.994	99.424	3.422	64.183	-	293.023
Cost	-	171.633	128.163	14.692	80.169	-	394.657
Amortization (Net) (-)	-	45.639	28.739	11.270	15.986	-	101.634
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	393.654	273.376	49.622	152.781	-	869.433
Accumulated Depreciation at Period End (-)	-	115.610	81.850	22.424	54.607	-	274.491
Provisions for losses	-	-	-	-	-	-	-
<b>Closing Net Book Value</b>	-	<b>278.044</b>	<b>191.526</b>	<b>27.198</b>	<b>98.174</b>	-	<b>594.942</b>

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 11. Information on intangible assets:

	Current Period 31.12.2022			Prior Period 31.12.2021		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	426.161	83.707	342.454	280.415	56.576	223.839
<b>Total</b>	<b>426.161</b>	<b>83.707</b>	<b>342.454</b>	<b>280.415</b>	<b>56.576</b>	<b>223.839</b>

- In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- 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.
- Book value of intangible assets with restrictions on use or pledged: None.
- Amount of commitments given for acquisition of intangible asset: None.
- Intangible assets based on revalued asset type: None.
- Total amount of research and development expenses recorded in the period, if any: None.
- Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- Information on goodwill: None

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

As of 31 December 2022, the Group has no investment property (31 December 2021: None)

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

As at 31 December the Group's deferred tax liabilities of TRY 993.620 (31 December 2021: TRY 183.007) and deferred tax assets of TRY 484.336 (31 December 2021 TRY 484.336) have been offset and TRY 788.020 deferred tax asset (31 December 2021: TRY 301.329 deferred tax asset) is reflected in the financial statements

	Current Period 31.12.2022	Prior Period 31.12.2021
Deferred Tax Assets	1.781.640	484.336
Deferred Tax Liabilities	993.620	183.007
Net Deferred Tax Assets	788.020	301.329
Net Deferred Tax Income	1.287.901	202.259

	Current Period 31.12.2022	Prior Period 31.12.2021
Reserve for Employee Benefits	42.460	13.165
Short-term Employee Benefits	121.752	47.721
Financial Assets Valuation Differences	(968.522)	57.375
Other	1.592.330	183.068
<b>Net Deferred Tax Asset</b>	<b>788.020</b>	<b>301.329</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

As of 31 December 2022, other assets do not exceed 10% of the total assets excluding off-balance sheet commitment.

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

##### 1. a) Information on funds collected

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

Current Period 31.12.2022	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TRY	3.157.181	-	-	-	-	-	-	-	3.157.181
II. Real persons participation accounts non-trade TRY	-	1.109.309	20.384.240	1.164.467	780.322	1.221	5.114.040	-	28.553.599
III. Other current accounts-TRY	13.758.814	-	-	-	-	-	-	-	13.758.814
Public sector	242.590	-	-	-	-	-	-	-	242.590
Commercial sector	9.249.882	-	-	-	-	-	-	-	9.249.882
Other institutions	112.603	-	-	-	-	-	-	-	112.603
Commercial and other institutions	20.660	-	-	-	-	-	-	-	20.660
Banks and participation banks	4.133.079	-	-	-	-	-	-	-	4.133.079
Central Bank of Republic of Turkey	291	-	-	-	-	-	-	-	291
Domestic banks	690	-	-	-	-	-	-	-	690
Foreign banks	4.132.074	-	-	-	-	-	-	-	4.132.074
Participation banks	24	-	-	-	-	-	-	-	24
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY	-	20.007.109	32.682.191	5.022.993	1.449.717	65.648	748.875	-	59.976.533
Public sector	-	13.083.148	721.929	3.851.938	51.323	2.576	-	-	17.710.914
Commercial sector	-	6.875.077	29.914.497	1.138.904	1.398.141	47.325	748.071	-	40.122.015
Other institutions	-	48.884	1.391.609	32.151	253	15.747	804	-	1.489.448
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	654.156	-	-	-	-	-	654.156
V. Real persons current accounts non-trade FC	7.899.340	-	-	-	-	-	-	-	7.899.340
VI. Real persons participation accounts-FC	-	1.582.540	8.749.485	125.947	-	248.468	1.943.881	-	12.650.321
VII. Other current accounts-FC	10.149.564	-	-	-	-	-	-	-	10.149.564
Commercial residents in Turkey	9.297.062	-	-	-	-	-	-	-	9.297.062
Commercial residents in Abroad	846.388	-	-	-	-	-	-	-	846.388
Banks and participation banks	6.114	-	-	-	-	-	-	-	6.114
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	1	-	-	-	-	-	-	-	1
Foreign banks	6.113	-	-	-	-	-	-	-	6.113
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	6.484.676	13.668.959	10.159.883	17.361	-	11.341	-	30.342.220
Public sector	-	952	203.478	-	-	-	-	-	204.430
Commercial sector	-	6.441.267	13.003.990	10.028.864	17.361	-	7.136	-	29.498.618
Other institutions	-	6.612	336.809	131.019	-	-	4.205	-	478.645
Commercial and other institutions	-	35.845	124.682	-	-	-	-	-	160.527
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	3.546.550	-	2.986.678	16.268	37.973	-	64.057	-	6.651.526
X. Participation accounts special funds - TRY	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total I+II+...+IX+X+XI</b>	<b>38.511.449</b>	<b>29.183.634</b>	<b>78.471.553</b>	<b>16.489.558</b>	<b>2.285.373</b>	<b>315.337</b>	<b>7.882.194</b>	<b>-</b>	<b>173.139.09</b>

(\*) As of 31 December 2022, it includes TRY 22.216.406 of CBRT Currency Protected Participation Account and TRY 10.167.641 of Treasury Currency Protected Participation Account products ve 1.710.983 TRY Yuvam account.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### 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 31.12.2021	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TRY	1.080.407	-	-	-	-	-	-	-	1.080.407
II. Real persons participation accounts non-trade TRY	-	689.629	6.452.687	129.875	85.879	1.828	305.761	-	7.665.659
III. Other current accounts-TRY	6.128.513	-	-	-	-	-	-	-	6.128.513
Public sector	167.917	-	-	-	-	-	-	-	167.917
Commercial sector	1.749.291	-	-	-	-	-	-	-	1.749.291
Other institutions	76.861	-	-	-	-	-	-	-	76.861
Commercial and other institutions	517	-	-	-	-	-	-	-	517
Banks and participation banks	4.133.927	-	-	-	-	-	-	-	4.133.927
Central Bank of Republic of Turkey	117	-	-	-	-	-	-	-	117
Domestic banks	774	-	-	-	-	-	-	-	774
Foreign banks	4.133.014	-	-	-	-	-	-	-	4.133.014
Participation banks	22	-	-	-	-	-	-	-	22
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY	-	2.898.139	10.399.835	918.222	318.592	280.004	25.512	-	14.840.304
Public sector	-	816.825	1.110.069	124.235	41.131	78.548	-	-	2.170.808
Commercial sector	-	2.068.417	7.387.720	724.434	255.743	201.456	22.075	-	10.659.845
Other institutions	-	12.897	1.379.432	69.553	21.718	-	3.437	-	1.487.037
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	522.614	-	-	-	-	-	522.614
V. Real persons current accounts-FC	3.803.345	-	-	-	-	-	-	-	3.803.345
VI. Real persons participation accounts non-trade FC	-	591.893	9.616.802	184.883	-	280.987	2.053.298	-	12.727.863
VII. Other current accounts non- trade FC	8.580.782	-	-	-	-	-	-	-	8.580.782
Commercial residents in Turkey	8.406.586	-	-	-	-	-	-	-	8.406.586
Commercial residents in Abroad	159.312	-	-	-	-	-	-	-	159.312
Banks and participation banks	14.884	-	-	-	-	-	-	-	14.884
Central Bank of Republic of Turkey	6.090	-	-	-	-	-	-	-	6.090
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	8.794	-	-	-	-	-	-	-	8.794
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	466.502	9.830.320	231.336	80.902	1.129	7.741.954	-	18.352.143
Public sector	-	-	1.352	-	-	-	-	-	1.352
Commercial sector	-	464.496	9.723.205	231.262	80.902	1.129	7.739.071	-	18.240.065
Other institutions	-	2.006	34.110	74	-	-	2.883	-	39.073
Commercial and other institutions	-	-	71.653	-	-	-	-	-	71.653
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	2.012.422	-	2.642.744	11.673	38.902	-	49.040	-	4.754.781
X. Participation accounts special funds - TRY	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total I+II+.....+IX+X+XI)</b>	<b>21.605.469</b>	<b>4.646.163</b>	<b>38.942.388</b>	<b>1.475.989</b>	<b>524.275</b>	<b>563.948</b>	<b>10.175.565</b>	<b>-</b>	<b>77.933.797</b>

(\*) As of 31 December 2021, it includes TRY 100.220 of CBRT Currency Protected Participation Account and TRY 926.005 of Treasury Currency Protected Participation Account products

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### a.2) Exceeding amounts of insurance limit

##### i. Information's on current and participation accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period 31.12.2022	Prior Period 31.12.2021	Current Period 31.12.2022	Prior Period 31.12.2021
Real persons current and profit sharing accounts that are not subject to commercial activities	12.569.522	7.959.088	44.932.868	21.375.856
TRY accounts	7.239.479	4.068.648	24.471.301	4.677.418
FC accounts	5.330.043	3.890.440	20.461.567	16.698.438
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

(\*) Pursuant to the Regulation Amending the Regulation on Deposits and Participation Funds Subject to Insurance and Premiums to be Collected by the Savings Deposit Insurance Fund, published in the Official Gazette dated 27 August 2022 and numbered 31936, All deposits and participation funds, except for those, are covered by insurance. In line with this change, commercial deposits amounting to TRY 1.817.963 within the scope of insurance are not included in the table. The portion of the said deposits exceeding the insurance limit is 90.381.181 TRY.

##### ii. Amounts which are not within the scope of insurance

##### Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund

	Current Period 31.12.2022	Prior Period 31.12.2021
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	1.223	142
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

#### 2. Information on funds borrowed

##### a) Information on banks and other financial institutions

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TP	YP	TP	YP
Borrowings from the CBRT	150.067	1.300.767	63.024	632.094
From Domestic Banks and Institutions	-	297.209	-	147.531
From Foreign Banks, Institutions and Funds	-	-	-	-
<b>Total</b>	<b>191.652</b>	<b>2.584.274</b>	<b>256.894</b>	<b>908.426</b>
Borrowings from the CBRT	<b>341.719</b>	<b>4.182.250</b>	<b>319.918</b>	<b>1.688.051</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 2. Information on funds borrowed (Continued)

##### b) Information on maturity structure of borrowings

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	341.719	2.405.748	319.918	1.540.520
From Foreign Banks, Institutions and Funds	-	1.776.502	-	147.531
<b>Total</b>	<b>341.719</b>	<b>4.182.250</b>	<b>319.918</b>	<b>1.688.051</b>

##### c) Information on maturity structure of borrowings

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Short-term	185.711	1.369.438	106.026	801.105
Medium and Long-term	156.008	2.812.812	213.892	886.946
<b>Total</b>	<b>341.719</b>	<b>4.182.250</b>	<b>319.918</b>	<b>1.688.051</b>

##### a) d) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations

81,16% of Bank's liabilities consists of current and participation account.

##### 3. Information on funds obtained from market transactions

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
<b>Domestic</b>	<b>57.003</b>	<b>7.498.996</b>	<b>3.784.645</b>	-
Financial Institutions	57.003	7.498.996	3.784.645	-
<b>Abroad</b>	-	-	-	-
Financial Institutions	-	-	-	-
<b>Total</b>	<b>57.003</b>	<b>7.498.996</b>	<b>3.784.645</b>	-

##### 4. Information on securities issued

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Bond	-	-	-	-
Asset Backed Securities	4.394.241	-	4.360.022	-
Bill	-	-	-	-
<b>Total</b>	<b>4.394.241</b>	-	<b>4.360.022</b>	-

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

None (31 December 2021: None).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

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

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Forward transactions	-	-	-	-
Swap transactions	-	62.998	70.653	1.039
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>62.998</b>	<b>70.653</b>	<b>1.039</b>

##### 7. Information on financial lease obligations

	Current Period 31.12.2022		Prior Period 31.12.2021	
	Gross	Net	Gross	Net
Less than 1 year	43.715	24.347	63.632	36.170
Between 1-5 years	130.103	100.305	84.602	64.630
More than 5 years	422.202	211.294	180.579	93.663
<b>Total</b>	<b>596.020</b>	<b>335.946</b>	<b>328.813</b>	<b>194.463</b>

##### 8. Information on provisions

###### a) Information on provisions related with foreign currency difference of foreign currency indexed loans and lease receivables

As of December 2022, There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2021: None).

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

The expected credit loss provision for non-compensated and non-cash loans is TRY 23.278 (31 December 2021: TRY 29.168).

###### c) Information on other provisions

###### c.1) Information on free provisions for possible risks

Except for the BRSA Accounting and Financial Reporting Legislation requirements, free provision has been set aside by the Group management, amounting to TRY 1.004.000, of which TRY 20.000 has been reserved in previous periods and TRY 984.000 has been allocated in the current period (31 December 2021: Except for the BRSA Accounting and Financial Reporting Legislation requirements, a total of TRY 20.000 has been set aside by the bank management, of which TRY 45.000 has been reserved in previous periods and TRY 25.000 has been canceled in the current year).

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

As of 31 December 2022 TRY 701.266 (31 December 2021: TRY 428.989) of other provisions was allocated from the profits to be distributed to participation accounts, TRY 632 (31 December 2021: TRY 147) of the provisions for foreign currency purchases and sales transactions, (31 December 2021: TRY 226) consists of the provision for promotional practices regarding credit cards and banking services.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

###### c.3) Information on litigation provisions

A provision of TRY 86.915 has been set aside in the financial statements for lawsuits that have not yet been finalized against the bank (31 December 2021 TRY 55.135).

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

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

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2022, the amount payable consists of one month's salary limited to a maximum of TRY 15.371 (full TRY) (31 December 2021: TRY 8.285 (full TRY)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits.

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period 31.12.2022	Prior Period 31.12.2021
Discount Rate (%)	%9,20	%19,10
Inflation (%)	%8,66	%15,80

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

	Current Period 31.12.2022	Prior Period 31.12.2021
Balance at the 1 January	26.259	18.984
Total Provisions During the Period	266.967	8.179
Paid During the Period	(834)	(1.115)
Actuarial loss/(gain)	(166.628)	211
<b>Balance at the end of the period</b>	<b>125.764</b>	<b>26.259</b>

As of 31 December 2022, the Bank has a TRY 28.175 short-run employees' rights provision (31 December 2021: TRY 10.500)

###### d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial ratio 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2021, 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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### d.3) Additional Bonus Provision to be paid to Personnel

The Group has a total of 500 TRY provision in the current period, based on the additional bonus to be paid to the personnel (31 December 2021: TRY 500).

#### 9. Explanations on tax liability

##### a) Information on tax provisions

As of 31 December 2022, the Group has a current tax liability of TRY 1.138.031 (31 December 2021: TRY 282.895).

##### b) Information on taxes payable

	Current Period 31.12.2022	Prior Period 31.12.2021
Corporate Tax Payable	1.338.031	282.895
Taxation on Income From Securities	46.059	28.932
Property Tax	876	475
Banking Insurance Transactions Tax (BITT)	51.030	19.237
Foreign Exchange Transactions Tax	6.512	5.578
Value Added Tax Payable	15.992	8.809
Other	26.404	3.998
<b>Total</b>	<b>1.484.904</b>	<b>349.924</b>

##### c) Information on premiums:

	Current Period 31.12.2022	Prior Period 31.12.2021
Social Security Premiums - Employee	20	15
Social Security Premiums - Employer	-	7
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	764	165
Unemployment Insurance - Employer	1.526	330
Other	-	-
<b>Total</b>	<b>2.310</b>	<b>517</b>

#### 10. Information on deferred tax liabilities

The Bank has no deferred tax liability as of the balance sheet date (31 December 2021: None)

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

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2021: None).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)****12. Explanations on subordinated debts**

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
From Domestic Banks	1.341.748	-	1.341.500	-
Domestic Other Organizations	-	2.597.654	-	1.314.363
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
<b>Total</b>	<b>1.341.748</b>	<b>2.597.654</b>	<b>1.341.500</b>	<b>1.314.363</b>

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Debt instruments to be included in the additional capital calculation:	-	2.597.654	-	1.314.363
Subordinated Loans(*)	-	2.597.654	-	1.314.363
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	1.341.748	-	1.341.500	-
Subordinated Loans(*)	1.341.748	-	1.341.500	-
Equity-like Debt Instruments	-	-	-	-
<b>Total</b>	<b>1.341.748</b>	<b>2.597.654</b>	<b>1.341.500</b>	<b>1.314.363</b>

(\*) The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR57.039 without demand and profit share which is approved by BRSA dated 9 March 2022. 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 amount 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	2.650.000	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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 14. Information on shareholders' equity (Continued)

- d) 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

None.

- f) Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators (31 December 2021: None).

- g) Summary information on privileges given to shares representing the capital

As of 31 December 2022, the Bank has no preferred shares (31 December 2021: None).

- h) Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	2.540.848	(117.971)	43.265	(24.008)
Revaluation Difference	3.348.782	(117.971)	49.994	(24.008)
Deferred Tax Effect	(807.934)	-	(6.729)	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>2.540.848</b>	<b>(117.971)</b>	<b>43.265</b>	<b>(24.008)</b>

- i) Profit reserves and profit distribution

Legal reserves are divided into first and second reserves in the Turkish Commercial Code ("TCC"). Primary legal reserves are separated from profit at the rate of 5% until the total reserves reach 20% of the paid-in capital. Secondary legal reserves are set aside at the rate of 10% over cash profit distributions exceeding 5% of the paid-in capital

At the Bank's Ordinary General Assembly meeting held on 25 March 2022, it was decided to distribute the profit for 2021 as follows:

##### Profit distribution table for 2021:

<b>Profit for the year 2021</b>	<b>558.689</b>
A - 1st Tier general legal reserves (TTK 519 / A) 5%	27.934
B - First dividend to shareholders	-
C - Extraordinary reserves	530.754
D - Special funds	-

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

	<b>Current Period 31.12.2022</b>	<b>Prior Period 31.12.2021</b>
Forward Asset Value Trading Commitments	720.578	553.864
Guaranteed Loan Allocation Commitments	-	-
Payment Commitments for Cheques	748.093	448.457
Tax and Fund Liabilities from Export Commitments	95.161	22.637
Commitments for Credit Card Expenditure Limits	544.655	141.095
Other Irrevocable Commitments	721.459	534.148
Commitment to Implementation of Promotions for Credit Card and Banking Services	458	265
<b>Total</b>	<b>2.830.404</b>	<b>1.700.466</b>

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

The amount of provision for Stage 3 possible losses arising from the off-balance sheet items is TRY 218.066 (31 December 2021: TRY103.959)

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

	<b>Current Period 31.12.2022</b>	<b>Prior Period 31.12.2021</b>
Guarantee Letters	37.944.687	22.059.849
Bank Acceptances	74.133	33.018
Letter of Credits	5.650.939	5.073.547
Other Contingencies	1.521.723	2.437.051
<b>Total</b>	<b>45.191.482</b>	<b>29.603.465</b>

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

	<b>Current Period 31.12.2022</b>	<b>Prior Period 31.12.2021</b>
Letters of Temporary Guarantees	2.854.152	996.121
Letters of Certain Guarantees	19.331.234	9.823.046
Letters of Advance Guarantees	4.777.857	2.946.697
Letters of Guarantees given to Customs Offices	429.313	151.838
Other Letters of Guarantees	10.552.131	8.142.147
<b>Total</b>	<b>37.944.687</b>	<b>22.059.849</b>

**b.3) Total non-cash loans**

	<b>Current Period 31.12.2022</b>	<b>Prior Period 31.12.2021</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>10.548.853</b>	<b>8.142.586</b>
With Original Maturity of One Year or Less	500.931	1.128.932
With Original Maturity of More than One Year	10.047.922	7.013.654
<b>Other Non-Cash Loans</b>	<b>34.642.629</b>	<b>21.460.879</b>
<b>Total</b>	<b>45.191.482</b>	<b>29.603.465</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

### 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)

##### c) Information on sectoral risk concentrations of non-cash loans:

	Current Period 31.12.2022				Prior Period 31.12.2021			
	TRY	(%)	FC	(%)	TRY	(%)	FC	(%)
Agricultural	286.958	1	50.947	-	75.637	1	78.148	-
Farming and Raising Livestock	161.125	1	12.555	-	15.466	-	42.021	-
Forestry	89.628	1	-	-	59.898	1	3.036	-
Fishing	36.205	-	38.392	-	273	-	33.091	-
Manufacturing	6.250.652	29	15.609.408	66	1.749.611	21	13.418.916	63
Mining and Quarrying	90.693	-	25.360	-	25.037	-	96.213	-
Production	5.636.602	26	15.487.165	66	1.469.394	18	13.212.652	62
Electric, Gas and Water	523.357	2	96.883	-	255.180	3	110.051	1
Construction	8.770.686	41	3.470.933	15	4.184.044	51	2.878.530	13
Services	6.261.084	29	4.207.615	18	2.260.586	27	4.871.774	23
Wholesale and Retail Trade	4.210.695	20	1.801.731	8	1.580.186	19	2.885.471	14
Hotel, Food and Beverage Services	599.821	3	162.223	1	57.145	1	331.454	2
Transportation and Telecommunication	382.725	2	498.498	2	157.817	2	590.138	3
Financial Institutions	121.033	1	1.174.092	5	28.626	-	587.064	3
Real Estate and Leasing Services	751.447	3	412.663	2	317.124	4	220.123	1
Self-employment Services	116.786	1	117.934	1	88.008	1	2.167	-
Education Services	4.658	-	22.910	-	3.492	-	20.489	-
Health and Social Services	73.919	-	17.564	-	28.188	-	234.868	-
Other	338	-	282.861	1	1.294	-	84.925	1
<b>Total</b>	<b>21.569.718</b>	<b>100</b>	<b>23.621.764</b>	<b>100</b>	<b>8.271.172</b>	<b>100</b>	<b>21.332.293</b>	<b>100</b>

##### d) Information on non-cash loans classified in groups I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
<b>Non-cash Loans</b>	<b>21.177.208</b>	<b>23.309.744</b>	<b>392.510</b>	<b>312.020</b>
Letters of Guarantee	21.065.507	16.448.068	145.807	285.305
Aval and Acceptance Loans	-	74.133	-	-
Letters of credit	846	5.623.378	-	26.715
Turnover	-	-	-	-
Our Guarantees for Purchase in Securities Issue	-	-	-	-
From Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	110.855	1.164.165	246.703	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### 2. Explanations on derivative transactions:

	Current Period 31.12.2022	Prior Period 31.12.2021
<b>Types of Trading Transactions</b>		
<b>Foreign Currency Related Derivative Transactions: (I)</b>	15.745.097	3.270.985
Forward Foreign Exchange Transactions	-	1.501.702
Swap Money Exchange Transactions	15.745.097	1.769.283
Futures Money Transactions	-	-
Money Trading Options	-	-
<b>Other Trading Derivative Transactions: (II)</b>	-	-
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>15.745.097</b>	<b>3.270.985</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Derivative Transactions for Total Hedging Purposes</b>	-	-
<b>Total Derivative Transactions (A + B)</b>	<b>15.745.097</b>	<b>3.270.985</b>

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions, those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized, or expense and income from agreements in the income statement in the current period..

Current Period 31.12.2022	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	18.051	(58.250)	-	-	-	(40.199)
- Inflow	4.917.554	2.934.895	-	-	-	7.852.449
- Outflow	(4.899.503)	(2.993.145)	-	-	-	(7.892.648)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	4.917.554	2.934.895	-	-	-	7.852.449
<b>Total Outflow</b>	(4.899.503)	(2.993.145)	-	-	-	(7.892.648)

Prior Period 31.12.2021	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	1.458	9.225	(90.442)	-	-	(79.759)
- Inflow	298.367	744.421	552.825	-	-	1.595.613
- Outflow	(296.909)	(735.196)	(643.267)	-	-	(1.675.372)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	298.367	744.421	552.825	-	-	1.595.613
<b>Total Outflow</b>	(296.909)	(735.196)	(643.267)	-	-	(1.675.372)

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET  
ACCOUNTS (Continued)****3. Explanations on contingent assets and liabilities:**

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

Payment obligation of the Parent Bank due to checks given to its customers is TRY 748.093 (31 December 2021: TRY 448.457).

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

**4. Explanations on services in the name of others::**

The Bank provides safe deposit box services on behalf of real and legal persons. The Bank does not provide consultancy and management services..

**IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT  
OR LOSS****1. a) Information on profit share received from loans**

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	YP
<b>Profit share on loans (*)</b>	<b>11.844.448</b>	<b>2.008.285</b>	<b>3.912.737</b>	<b>804.787</b>
Short term loans	6.042.992	750.115	1.109.447	124.627
Medium and long term loans	5.734.297	1.258.170	2.743.086	667.619
Profit share on non-performing loans	67.159	-	60.204	12.541
Premiums received from resource utilization support fund	-	-	-	-

(\*) Includes fees and commissions income on cash loans..

**b) Information on profit share received from banks**

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	123.554	51.809	-	2.343
Foreign Banks	-	2.042	-	727
Head Office and Branches	-	-	-	-
<b>Total</b>	<b>123.554</b>	<b>53.851</b>	<b>-</b>	<b>3.070</b>

**c) Information on profit share income from securities portfolio**

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Financial Assets at Fair Value through Profit and Loss	-	43.356	2.605	19.023
Financial Assets at Fair Value through Other Comprehensive Income	4.385.549	172.392	622.760	62.480
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	82.317	164.855	-	94.465
<b>Total</b>	<b>4.467.866</b>	<b>380.603</b>	<b>625.365</b>	<b>175.968</b>

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

None (31 December 2021: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

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

	Current Period 31.12.2022		Prior Period 31.12.2021	
	TRY	FC	TRY	FC
Banks	297.399	65.882	47.048	27.585
Central Bank of the Republic of Turkey	272	-	-	-
Domestic Banks	297.127	41.723	33.323	16.756
Foreign Banks	-	24.159	13.725	10.829
Head Office and Branches	-	-	-	-
Other Institutions	-	176.645	729.349	102.262
<b>Total</b>	<b>297.399</b>	<b>242.527</b>	<b>776.397</b>	<b>129.847</b>

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

None (31 December 2020: None)

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

Profit share expenses given to securities issued are TRY 851.132 (31 December 2021: TRY 327.137).

##### d) Presentation of dividends paid to participation accounts according to maturity structure

Current Period 31.12.2022	Participation Accounts					Cumulative Participation Account
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	102.170	-	-	-	102.170
Real Person's Non Commercial Participation Accounts	130.106	1.906.995	107.199	74.085	338.138	2.556.523
Public Sector Participation Accounts	839.705	270.887	318.589	11.540	-	1.440.721
Commercial Sector Participation Accounts	641.812	3.372.261	736.605	206.221	68.427	5.025.326
Other Institutions Participation Accounts	6.608	289.957	22.566	1.365	590	321.086
<b>Total</b>	<b>1.618.231</b>	<b>5.942.270</b>	<b>1.184.959</b>	<b>293.211</b>	<b>407.155</b>	<b>9.445.826</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	149	13.155	-	471	-	13.775
Real Person's Non Commercial Participation Accounts	17.671	220.876	13.153	5.609	42.016	299.325
Public Sector Participation Accounts	8	18	-	-	-	26
Commercial Sector Participation Accounts	1.837	209.361	111.595	3.222	736	326.751
Other Institutions Participation Accounts	70.550	296.704	114.168	259	27.098	508.779
Public Sector Participation Accounts	10.020	-	-	-	-	10.020
<b>Total</b>	<b>100.235</b>	<b>740.114</b>	<b>238.916</b>	<b>9.561</b>	<b>69.850</b>	<b>1.158.676</b>
<b>Grand Total</b>	<b>1.718.466</b>	<b>6.682.384</b>	<b>1.423.874</b>	<b>302.772</b>	<b>477.005</b>	<b>10.604.501</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

Prior Period 31.12.2021	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Cumulative Participation Account
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	57.829	-	-	-	57.829
Real Person's Non Commercial Participation Accounts	102.498	693.543	5.776	7.809	34.135	843.761
Public Sector Participation Accounts	60.337	88.787	22.329	22.150	-	193.603
Commercial Sector Participation Accounts	188.337	1.331.341	56.678	38.494	15.827	1.630.677
Other Institutions Participation Accounts	4.794	183.686	10.772	1.357	438	201.047
<b>Total</b>	<b>355.966</b>	<b>2.355.186</b>	<b>95.555</b>	<b>69.810</b>	<b>50.400</b>	<b>2.926.917</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	6	-	-	-	-	6
Real Person's Non Commercial Participation Accounts	5.621	64.361	1.117	1.994	24.291	97.384
Public Sector Participation Accounts	3	8	-	-	-	11
Commercial Sector Participation Accounts	711	13.731	429	3.520	875	19.266
Other Institutions Participation Accounts	1.647	59.735	4.197	3.093	112.923	181.595
Public Sector Participation Accounts	-	8.036	622	116	203	8.977
<b>Total</b>	<b>7.988</b>	<b>145.871</b>	<b>6.365</b>	<b>8.723</b>	<b>138.292</b>	<b>307.239</b>
<b>Grand Total</b>	<b>363.954</b>	<b>2.501.057</b>	<b>101.920</b>	<b>78.533</b>	<b>188.692</b>	<b>3.234.156</b>

#### 3. Information on dividend income

As of 31 December 2022, the Bank has no dividend income (31 December 2021: 774)

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

	Current Period 31.12.2022	Prior Period 31.12.2021
<b>Income</b>	<b>4.931.258</b>	<b>8.833.644</b>
Foreign exchange gains	915.790	87.306
Gain on derivative financial instruments	172.142	92.935
Gain on capital market transactions	3.843.326	8.653.403
<b>Losses (-)</b>	<b>3.716.567</b>	<b>8.618.831</b>
Foreign exchange losses	6.199	86.280
Losses on derivative financial instruments	27.163	158.796
Losses on capital market transactions	3.683.205	8.373.755
<b>Net</b>	<b>1.214.691</b>	<b>214.813</b>

#### a. Information on Profit/Loss on Derivative Financial Operations

	Current Period 31.12.2022	Prior Period 31.12.2021
Effect of the change in exchange rates on profit/loss	144.979	(65.861)
<b>Total</b>	<b>144.979</b>	<b>(65.861)</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (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

	Current Period 31.12.2022	Prior Period 31.12.2021
Correction Account for Previous Years Expenses (*)	787.951	528.904
Income from the Sale of the Asset	73.218	8.335
Provision for Communication Expenses	6.929	2.997
Checkbook Fees	734	516
Other	7.422	10.884
<b>Total</b>	<b>876.254</b>	<b>551.636</b>

(\*) TRY 278.795 of the correction account for previous years' expenses was paid for participation accounts reserve cancellations (31 December 2021 : TRY 290.502), TRY 21.610 for securities impairment reserve cancellations (31 December 2021: TRY 145.201 TRY) for loan free provision cancellations.

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

	Current Period 31.12.2022	Prior Period 31.12.2021
Expected Credit Loss	1.869.894	958.562
12 month expected credit loss (Stage 1)	821.530	192.329
Significant increase in credit risk (Stage 2)	471.526	168.067
Non-performing loans (Stage 3)	576.838	598.166
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities Under Common Control Impairment Provision	-	-
Associates	-	-
Subsidiaries	-	-
Entities Under Common Control (Joint Ventures)	-	-
Other (*)	1.061.736	30.041
<b>Total</b>	<b>2.931.630</b>	<b>988.603</b>

(\*) Includes 984.000 TRY free provision expense.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

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

	Current Period 31.12.2022	Prior Period 31.12.2021
Reserve for Employee Termination Benefits	12.752	7.447
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	103.533	60.799
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	27.132	17.926
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	487.643	178.182
Leasing Expenses Related to TFRS 16 Exceptions	1.410	1.184
Maintenance Expenses	56.850	23.383
Advertisement Expenses	82.905	54.501
Other Expenses	346.478	99.114
Loss on Sales of Assets	286	391
Other (*)	255.042	127.422
<b>Total</b>	<b>886.388</b>	<b>392.167</b>

(\*) Of the balance constituting the other item, TRY 86.533 (31 December 2021 TRY 68.457) consists of SDIF premium and audit and consultancy service expenses, and TRY 88.093 (31 December 2021, TRY 35.626) consists of taxes, fees, funds and other service expenses

##### 8. Fees for Services Received from Independent Auditor / Independent Audit Firm

In accordance with the decision of the POA dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is given in the table below over VAT excluded amounts.

	Current Period 31.12.2022	Prior Period 31.12.2021
Independent audit fee for the reporting period	1.811	732
Fees for tax advisory services	-	-
Fee for other assurance services	269	39
Fees for services other than independent auditing	-	-
<b>Total (*)</b>	<b>2.080</b>	<b>771</b>

(\*) Relevant amounts are presented on a consolidated basis, including the Bank's subsidiaries.

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

As of 31 December 2022, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 31.12.2022	Prior Period 31.12.2021
Net Profit Share Income	7.742.487	1.514.539
Net Fees and Commissions Income	245.945	147.334
Dividend Income	774	-
Trading Income/Expense (Net)	1.214.691	214.813
Other Operating Income	876.254	551.638
Expected Loss Provision (-)	1.869.894	958.562
Other Provision Expense	1.061.736	30.041
Personnel Expense	798.367	317.383
Other Operating Expenses (-)	886.388	392.167
<b>Income/(Loss) from Continuing Operations</b>	<b>5.463.766</b>	<b>730.171</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)**

**10. Information on tax provision for continued and discontinued operations**

As of 31 December 2022, the Group's tax provision expense amounting to TRY 1.623.494 (31 December 2021: TRY 171.481) amounting to TRY 2.911.395 (31 December 2021: TRY 373.740) is from current tax expense, TRY 1.287.901 (31 December 2021: TRY 202.259 expense) amount of it consists of deferred tax expense.

**11. Explanation on net income/loss for the period for continuing and discontinued operations**

The Group's net profit from continuing operations is TRY 3.840.272 (31 December 2021: TRY 558.689 net income).

**12. Information on net profit/loss**

**a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period**

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

**b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any**

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

**13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below**

None (31 December 2021 None).

**V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED THE CHANGES IN  
SHAREHOLDERS EQUITY**

**a) Explanations on Profit Distribution:**

In accordance with the profit distribution decision taken at the Ordinary General Assembly meeting of the Parent Bank for the year 2021 held on 25 March 2022, 5% of the balance sheet profit of TRY 558.689 for 2021 will be set aside as general legal reserves of TRY 27.934, and the remaining TRY 606.634 after the distributions will be left within the Bank.

No decision has been taken regarding the distribution of profits as of the date the consolidated financial reports were prepared.

**b) Explanations on Financial Assets at Fair Value through Other Comprehensive Income:**

Information on financial assets at fair value through other comprehensive income is presented in the fifth section, footnote 1.4-b.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

##### V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED THE CHANGES IN SHAREHOLDERS EQUITY (Continued)

###### c) Profit Reserves:

As of the balance sheet date, profit reserves amounted to TRY 2.297.869, legal reserves amounted to TRY 120.251 extraordinary reserves amounted to TRY 2.131.542 and other profit reserves amounted to TRY 46.067.

###### d) Explanations on Previous Period Profit / Loss:

As of 31 December 2022, the Group has no prior period profit or loss.

##### VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED CASH FLOW STATEMENTS

###### 1. Explanations on the "Other" items and "The Effect Of The Change in Foreign Currency on Cash and Cash Equivalent" item in the Cash Flow Statement:

TRY 7.465.717 of the TRY 17.118.441 amount related to the operating profit before the change in the assets and liabilities of the banking activity, mainly from loans and profit share income from securities and financial leases, TRY 9.244.138 mostly from deposits and profit share given to loans used, consists of expenses. Other earnings mainly include net fee and commission income and commercial profit and loss income..

The effect of the change in the exchange rate on cash and cash equivalents has been determined as TRY 367.400 as of 31 December 2022 (31 December 2021: TRY 207.266)..

Cash and cash equivalents are defined as cash and cash equivalents, such as cash, effective deposits, free accounts of the Central Bank of the Republic of Turkey, money in transit, purchased bank checks, money market transactions and time deposits with an original maturity of up to 3 months.

###### Period opening and end cash and cash equivalents balance

	Current Period 31.12.2022	Prior Period 31.12.2021
Cash in TRY and in Foreign Currency	1.150.876	1.559.762
Central Bank of the Republic of Turkey and Other Banks	20.003.515	6.499.696
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>21.154.391</b>	<b>8.059.458</b>

##### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

###### 1) a) Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period

###### Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	1.646	-	-	-
Balance at end of period	-	-	2.374	-	-	-
<b>Profit share and commission income</b>	-	-	-	-	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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

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

##### Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	540	-	-	-
Balance at end of period	-	-	1.646	-	-	-
<b>Profit share and commission income</b>	-	-	-	-	-	-

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

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and participation accounts</b>						
Balance at the beginning of period	-	-	-	2.715	-	-
Balance at the end of period	-	-	-	-	-	-
<b>Participation Accounts</b>						
Profit Share Expenses	-	-	-	300	-	-

##### c) Information on loans taken from the risk group of the Bank

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Credits Received</b>						
Balance at the beginning of period	4.050.000	3.950.000	484.397	560.325	-	-
Balance at the end of period	5.200.000	4.050.000	284.791	484.397	-	-
<b>Dividend Expenses Paid</b>	851.132	454.037	21.214	14.156	-	-

##### 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	-	-	1.708.791	2.153.566	-	-
Closing Balance	-	-	5.928.040	1.708.791	-	-
<b>Total Profit/Loss</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 OF 31 DECEMBER 2022

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

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

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

###### 3) Information on the fees paid to the top management of the bank

The total amount of benefits provided to the Bank's Senior Management is TRY 12.688 (31 December 2021 TRY 6.355).

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

With the Board Decision of the BRSA dated January 31, 2023, in accordance with the Regulation on the Measurement and Evaluation of the Capital Adequacy of Banks, in the calculation of the amount subject to credit risk, the foreign currency items are calculated using the CBRT foreign exchange buying rate of 30 December 2022, instead of the CBRT foreign exchange buying rate of 31 December 2021. It was decided to find provisions and to update SME and retail limits.

With the General Communiqué on Tax Procedure Law No. 547 published in the Official Gazette dated 14 January 2023 and numbered 32073, the uncertainties regarding the revaluation of economic assets subject to depreciation and their accumulated depreciation have been eliminated within the scope of the Tax Procedure Law, and our Bank will benefit from the revaluation application.

The consequences of earthquakes in Kahramanmaraş, which affected many cities, in the disaster area and throughout the country are closely followed. Efforts to be carried out by the Parent Bank for the return of social and economic life to normal are being concluded immediately.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

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

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#### SECTION SIX

##### OTHER EXPLANATIONS AND NOTES

#### I. INFORMATION ON THE GROUP'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

<b>Fitch Ratings: 19 November 2022</b>	<b>Not</b>
Foreign Currency Long Term Credit	B-
Foreign Currency Short Term Credit	B
Local Currency Long Term Credit	B
Local Currency Short Term Credit	B
National Long Term Credit Rating	AA(tur)
Support	b-

#### II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2022**

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

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**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

**I. MATTERS TO BE EXPLAINED ON THE INDEPENDENT AUDITOR'S REPORT**

The consolidated financial statements prepared as of 31 December 2022 and for the fiscal period ending on the same date have been audited by PwC Bağımsız Denetim ve SMMM A.Ş. and presented preceding the consolidated financial statements of independent auditors' report dated 15 February 2023.

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

None.

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**ZİRAAT KATILIM BANKASI ANONİM ŞİRKETİ**

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
STATEMENTS AND RELATED DISCLOSURES  
AT 31 DECEMBER 2021 WITH AUDITOR'S REPORT**

***(CONVENIENCE TRANSLATION OF CONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND  
FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE. I.B OF  
SECTION THREE)***



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH  
(See Note I b of Section Three)  
INDEPENDENT AUDITOR'S REPORT**

To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi

**A. Audit of the Consolidated Financial Statements**

**1. Opinion**

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

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Banking Regulation and Supervision Agency (“BRSA”) Accounting and Financial Reporting Legislation which includes “Regulation on Accounting Applications for Banks and Safeguarding of Documents” published in the Official Gazette No.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Board and circulars and interpretations published by BRSA and Turkish Financial Reporting Standards (“TFRS”) for those matters not regulated by the aforementioned regulations.

**2. Basis for Opinion**

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

### 3. Key Audit Matters

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

<b><i>Key Audit Matters</i></b>	<b><i>How the key audit matter was addressed in the audit</i></b>
<p><b><i>Expected credit losses for loans and receivables</i></b></p> <p>The Group has total expected credit losses for loans and receivables amounting to TL 1.734.896 thousand in respect to total loans and receivables amounting to TL 68.134.816 thousand which represent a significant portion of the Group's total assets in its consolidated financial statements as at 31 December 2021. Explanations and notes related to expected credit losses provisions for loans and receivables are presented Section Three VII, Section Three VIII, Section Four II, Section Four IX-3, Section Five I-6 and Section Five II-8 in the accompanying consolidated financial statements as at 31 December 2021.</p> <p>The Group recognizes provision for impairment in accordance with "TFRS 9 Financial Instruments" ("TFRS 9") requirements effective in line with the "Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided" as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment. The effects of the COVID-19 outbreak increased the importance of these estimates and assumptions used by the Group's management in determining the loan loss provisions as of 31 December 2021, and the uncertainties caused by these effects were taken into account in the calculation of expected credit loss using expert opinion.</p>	<p>With respect to stage classification of loans and receivables and calculation of expected credit losses, we have assessed policy, procedure and management principles of the Group including the effects of COVID-19 outbreak within the scope of our audit. We tested the design and the operating effectiveness of relevant systems and processes implemented in accordance with these principles.</p> <p>For important loan portfolios, we checked appropriateness of matters considered in methodology applied by the Group with TFRS 9 for calculation of the provision amount through stage classification of loans and receivables. For forward looking assumptions made by the Group's management in its expected credit losses calculations including the effects of the COVID-19 pandemic, we held discussions with management and evaluated the assumptions using publicly available information. Regarding expected credit losses methodology; we have assessed and tested appropriateness of model segmentation, lifetime probability of default model, loss given default model, and approaches in relation to projection of macroeconomic expectations including the effects of the COVID-19 outbreak with our financial risk experts.</p> <p>We have assessed expert judgment utilized in interpretation of supportable forward looking expectations (including macroeconomic factors).</p>

<b><i>Key Audit Matters</i></b>	<b><i>How the key audit matter was addressed in the audit</i></b>
<p>The Group uses complex models derived from more than one system to calculate the expected loan loss provision. Information including past events, current conditions and macroeconomic estimates which are taken into account in expected loss provision accounting should be reasonable and supportable.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loans and receivables balances; the classification of loans and receivables as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans and receivables. Therefore, this area is considered as key audit matter.</p>	<p>Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology made within the year and the performance of the impairment models used. We have checked selected models used in determination of provisions for various loans and receivables portfolios with our financial risk experts by reperforming on a sample selection basis.</p> <p>We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</p> <p>For a selected sample, we checked accuracy of resultant expected credit losses calculations.</p> <p>To assess appropriateness of the Group's determination of staging for credit risk for loans and receivables within the framework of current regulations, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</p> <p>We evaluated the adequacy of the disclosures made in the consolidated financial statements regarding the provision for impairment of loans and receivables.</p>



#### **4. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

## **B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Bank's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Bank's articles of association related to financial reporting.



2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

**Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM  
Partner

Istanbul, 14 February 2022



**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS  
AND AUDITED REPORT ORIGINALLY ISSUED IN TURKISH, SEE THE NOTE I. OF SECTION THREE**

**THE CONSOLIDATED FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş AS OF 31 DECEMBER 2021**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih / İSTANBUL  
Phone: (212) 404 11 00  
Facsimile: (212) 404 10 81  
Website: www.ziraatkatilim.com.tr  
E-mail: bilgi@ziraatkatilim.com.tr

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

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND DISCLOSURES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- AUDITOR'S REPORT

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

	Subsidiaries	Investments in Associates	Joint Ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2	ZKB Varlık Kiralama A.Ş.	-	-

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

Alpaslan ÇAKAR  
Chairman of the Board

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

Metin ÖZDEMİR  
Member of the Board,  
General Manager

Mahmut Esfa EMEK  
Member of the Board,  
Member of the Audit Committee

Osman KARAKÜTÜK  
Vice President of Treasury  
Management and International  
Banking

Gürkan ÇAKIR  
Head of Financial Management  
Department

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

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

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# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

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### SECTION ONE

#### GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bankası A.Ş. ("Group") is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 4 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on September 20, 2018, the paid-in capital of the Bank has been raised to TL 1.750.000 by increasing the amount of cash by TL 500.000.

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

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

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

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

#### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

As of 31 December 2021 and 31 December 2020, main shareholders and capital amounts as follows:

	31 December 2021		31 December 2020	
Name of Shareholders	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. <sup>(*)</sup>	1.750.000	99,9999996	1.750.000	99,9999996
Türkiye Sigorta A.Ş. <sup>(**)</sup>	-	0,0000001	-	0,0000001
Türkiye Hayat ve Emeklilik A.Ş. <sup>(**)</sup>	-	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 of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury ("Treasury") to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

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

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

Name	Title
<b>Board of Directors</b>	
Alpaslan ÇAKAR <sup>(*)</sup>	Chairman
Fikretin AKSU <sup>(*)</sup>	Vice chairman of the BOD, Member of the Audit Committee , Member of Corporate Management Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Mahmut Esfa EMEK	Member of the BOD, Member of Audit Committee, Member of Pricing Committee, Associate Member of Credit Committee,
Ahmet BUÇUKOĞLU <sup>(*)</sup>	Member of the BOD, Member of Credit Committee,
Hasan DURSUN <sup>(*)</sup>	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
<b>Assistant General Manager</b>	
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Önder KIRMAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Corporate Banking

(\*) He was appointed as a Board Membership as of 1 February 2022.

(\*\*) With the decision taken on 17 January 2022 regarding the organizational structure of the Bank, the name of the Branch Banking and Sales Management Assistant General Manager was changed to the Corporate Banking Assistant General Manager.

The Bank's Chairman and Members of the Board of Directors, Members of the Audit Committee, General Manager and Deputy General Managers do not own any shares of the Bank.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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

#### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Name / Trade Name	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş.	1.750.000	100,00	1.750.000	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>

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

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

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

As of 31 December 2021, the Parent Bank operates with a total of 120 branches (31 December 2020: 104 domestic, 1 abroad) including 120 branches in the country and the Sudan branch that started its operations as of 27 August 2020 abroad. As of 31 December 2021, the number of the Bank's personnel is 1.529 (31 December 2020: 1.261).

#### VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş. which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

#### VII. CURRENT OR LIKELY ACTUAL LEGAL BARRIERS TO IMMEDIATE TRANSFER OF EQUITY OR REPAYMENT OF DEBTS BETWEEN THE PARENT BANK AND ITS SUBSIDIARIES

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

- I.** Consolidated balance sheet (Statement of financial position)
- II.** Consolidated statement of off-balance sheet commitments
- III.** Consolidated statement of profit or loss
- IV.** Consolidated statement of profit or loss and other comprehensive income
- V.** Consolidated statement of changes in shareholders' equity
- VI.** Consolidated statement of cash flows
- VII.** Consolidated profit distribution

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Notes (V-I)	Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>7.906.952</b>	<b>21.137.037</b>	<b>29.043.989</b>	<b>5.195.516</b>	<b>11.233.289</b>	<b>16.428.805</b>
<b>1.1 Cash And Cash Equivalents</b>		<b>3.074.376</b>	<b>15.564.971</b>	<b>18.639.347</b>	<b>419.033</b>	<b>9.854.915</b>	<b>10.273.948</b>
1.1.1 Cash And Balances With Central Bank	(1)	3.066.213	12.224.478	15.290.691	409.579	5.067.541	5.477.120
1.1.2 Banks	(2)	9.647	3.340.493	3.350.140	12.394	4.787.374	4.799.768
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		1.484	-	1.484	2.940	-	2.940
<b>1.2 Financial Assets Measured At Fair Value Through Profit/Loss</b>	(3)	<b>-</b>	<b>1.795.316</b>	<b>1.795.316</b>	<b>980.872</b>	<b>-</b>	<b>980.872</b>
1.2.1 Government Securities		-	1.795.316	1.795.316	980.872	-	980.872
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>	(4)	<b>4.819.812</b>	<b>3.769.758</b>	<b>8.589.570</b>	<b>3.767.367</b>	<b>1.378.365</b>	<b>5.145.732</b>
1.3.1 Government Securities		4.151.159	3.769.758	7.920.917	3.276.744	1.378.365	4.655.109
1.3.2 Equity Securities		10.412	-	10.412	10.412	-	10.412
1.3.3 Other Financial Assets		658.241	-	658.241	480.211	-	480.211
<b>1.4 Derivative Financial Assets</b>	(5)	<b>12.764</b>	<b>6.992</b>	<b>19.756</b>	<b>28.244</b>	<b>9</b>	<b>28.253</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		12.764	6.992	19.756	28.244	9	28.253
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>36.662.193</b>	<b>31.065.684</b>	<b>67.727.877</b>	<b>29.455.349</b>	<b>13.530.498</b>	<b>42.985.847</b>
<b>2.1 Loans</b>	(6)	<b>33.940.247</b>	<b>24.648.305</b>	<b>58.588.552</b>	<b>27.553.401</b>	<b>10.670.016</b>	<b>38.223.417</b>
<b>2.2 Lease Receivables</b>	(6)	<b>4.090.120</b>	<b>5.456.144</b>	<b>9.546.264</b>	<b>2.851.377</b>	<b>2.284.842</b>	<b>5.136.219</b>
<b>2.3 Measured at Amortized Cost</b>	(7)	<b>-</b>	<b>1.327.957</b>	<b>1.327.957</b>	<b>-</b>	<b>779.437</b>	<b>779.437</b>
2.3.1 Government Securities		-	1.327.957	1.327.957	-	779.437	779.437
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Credit Losses (-)</b>		<b>1.368.174</b>	<b>366.722</b>	<b>1.734.896</b>	<b>949.429</b>	<b>203.797</b>	<b>1.153.226</b>
<b>III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	(8)	<b>307.881</b>	<b>-</b>	<b>307.881</b>	<b>75.240</b>	<b>-</b>	<b>75.240</b>
3.1 Assets Held for Sale		307.881	-	307.881	75.240	-	75.240
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES</b>	(9)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1 Associates (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	(10)	<b>301.045</b>	<b>874</b>	<b>301.919</b>	<b>177.601</b>	<b>363</b>	<b>177.964</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	(11)	<b>223.839</b>	<b>-</b>	<b>223.839</b>	<b>161.257</b>	<b>-</b>	<b>161.257</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		223.839	-	223.839	161.257	-	161.257
<b>VII. INVESTMENT PROPERTY (NET)</b>	(12)	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	(13)	<b>301.329</b>	<b>-</b>	<b>301.329</b>	<b>108.597</b>	<b>-</b>	<b>108.597</b>
<b>X. OTHER ASSETS</b>	(14)	<b>550.677</b>	<b>58.127</b>	<b>608.804</b>	<b>213.728</b>	<b>35.458</b>	<b>249.186</b>
<b>TOTAL ASSETS</b>		<b>46.253.916</b>	<b>52.261.722</b>	<b>98.515.638</b>	<b>35.387.288</b>	<b>24.799.608</b>	<b>60.186.896</b>

The accompanying explanations and notes form an integral part of these financial statements

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES	Notes (V-II)	Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
<b>I. FUNDS COLLECTED</b>	(1)	29.714.656	48.219.141	77.933.797	24.902.462	21.483.588	46.386.050
<b>II. FUNDS BORROWED</b>	(2)	319.918	1.688.051	2.007.969	380.086	1.046.528	1.426.614
<b>III. MONEY MARKETS DEBTS</b>	(3)	3.784.645	-	3.784.645	2.101.073	-	2.101.073
<b>IV. SECURITIES ISSUED (Net)</b>	(4)	4.360.022	-	4.360.022	4.017.250	-	4.017.250
<b>V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	(5)	-	-	-	-	-	-
<b>VI. DERIVATIVE FINANCIAL LIABILITIES</b>	(6)	70.653	1.039	71.692	-	19.440	19.440
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		70.653	1.039	71.692	-	19.440	19.440
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>VII. LEASE PAYABLES</b>	(7)	194.453	10	194.463	111.946	15.688	127.634
<b>VIII. PROVISIONS</b>	(8)	229.371	417.899	647.270	211.628	197.616	409.244
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		37.259	-	37.259	56.070	-	56.070
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		192.112	417.899	610.011	155.558	197.616	353.174
<b>IX. CURRENT TAX LIABILITY</b>	(9)	350.441	-	350.441	96.490	142	96.632
<b>X. DEFERRED TAX LIABILITY</b>	(10)	-	-	-	-	-	-
<b>XI. LIABILITIES FROM 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. SUBORDINATED DEBT INSTRUMENTS</b>	(12)	1.341.500	1.314.363	2.655.863	312.489	768.037	1.080.526
12.1 Loans		1.341.500	1.314.363	2.655.863	312.489	768.037	1.080.526
12.2 Other Debt Instruments		-	-	-	-	-	-
<b>XIII. OTHER LIABILITIES</b>	(13)	920.890	1.266.851	2.187.741	571.531	216.629	788.160
<b>XIV. SHAREHOLDERS' EQUITY</b>	(14)	4.345.743	(24.008)	4.321.735	3.734.357	(84)	3.734.273
14.1 Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(6.895)	-	(6.895)	(7.068)	-	(7.068)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		43.265	(24.008)	19.257	(9.259)	(84)	(9.343)
14.5 Profit Reserves		1.739.171	-	1.739.171	1.098.041	-	1.098.041
14.5.1 Legal Reserves		92.316	-	92.316	60.388	-	60.388
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		1.600.788	-	1.600.788	991.586	-	991.586
14.5.4 Other Profit Reserves		46.067	-	46.067	46.067	-	46.067
14.6 Profit or (Loss)		558.689	-	558.689	641.130	-	641.130
14.6.1 Prior Period Profit/Loss		-	-	-	2.568	-	2.568
14.6.2 Current Period Profit/Loss		558.689	-	558.689	638.562	-	638.562
<b>TOTAL LIABILITIES</b>		<b>45.632.292</b>	<b>52.883.346</b>	<b>98.515.638</b>	<b>36.439.312</b>	<b>23.747.584</b>	<b>60.186.896</b>

The accompanying explanations and notes form an integral part of these financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (V-III)	Thousands of Turkish lira					
		Current Period (31/12/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>		<b>10.306.712</b>	<b>24.268.204</b>	<b>34.574.916</b>	<b>9.924.766</b>	<b>13.934.400</b>	<b>23.859.166</b>
<b>I. GUARANTEES AND WARRANTIES</b>	<b>(I)</b>	<b>8.271.172</b>	<b>21.332.293</b>	<b>29.603.465</b>	<b>6.839.282</b>	<b>9.076.488</b>	<b>15.915.770</b>
1.1 Letters of Guarantee		8.236.824	13.823.025	22.059.849	6.691.971	5.882.397	12.574.368
1.1.1 Guarantees Subject to State Tender Law		361.062	6.175.690	6.536.752	190.927	1.696.645	1.887.572
1.1.2 Guarantees Given for Foreign Trade Operations		7.229.114	-	7.229.114	6.156.513	-	6.156.513
1.1.3 Other Letters of Guarantee		646.648	7.647.335	8.293.983	344.531	4.185.752	4.530.283
1.2 Bank Acceptances		-	33.018	33.018	-	7.687	7.687
1.2.1 Import Letter of Acceptance		-	33.018	33.018	-	7.687	7.687
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		20.348	5.053.199	5.073.547	40.077	1.340.566	1.380.643
1.3.1 Documentary Letters of Credit		20.348	5.053.199	5.073.547	40.077	1.340.566	1.380.643
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		14.000	2.419.706	2.433.706	98.155	1.841.367	1.939.522
1.7 Other Collaterals		-	3.345	3.345	9.079	4.471	13.550
<b>II. COMMITMENTS</b>	<b>(I)</b>	<b>1.386.946</b>	<b>313.520</b>	<b>1.700.466</b>	<b>564.143</b>	<b>97.454</b>	<b>661.597</b>
2.1 Irrevocable Commitments		1.386.946	313.520	1.700.466	564.143	97.454	661.597
2.1.1 Forward asset purchase commitments		240.344	313.520	553.864	57.678	97.454	155.132
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		448.457	-	448.457	268.625	-	268.625
2.1.7 Tax and Fund Liabilities from Export Commitments		22.637	-	22.637	16.428	-	16.428
2.1.8 Commitments for Credit Card Limits		141.095	-	141.095	48.071	-	48.071
2.1.9 Commitments for Credit Cards and Banking Services Promotions		265	-	265	1	-	1
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		534.148	-	534.148	173.340	-	173.340
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>		<b>648.594</b>	<b>2.622.391</b>	<b>3.270.985</b>	<b>2.521.341</b>	<b>4.760.458</b>	<b>7.281.799</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		648.594	2.622.391	3.270.985	2.521.341	4.760.458	7.281.799
3.2.1 Forward Foreign Currency Buy/Sell Transactions		648.594	853.108	1.501.702	15.631	2.168.006	2.183.637
3.2.1.1 Forward Foreign Currency Transactions-Buy		39.918	673.050	712.968	14.299	1.068.995	1.083.294
3.2.1.2 Forward Foreign Currency Transactions-Sell		608.676	180.058	788.734	1.332	1.099.011	1.100.343
3.2.2 Other Forward Buy/Sell Transaction		-	1.769.283	1.769.283	2.505.710	2.592.452	5.098.162
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>70.066.806</b>	<b>20.237.127</b>	<b>90.303.933</b>	<b>49.071.158</b>	<b>9.620.414</b>	<b>58.691.572</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>5.132.707</b>	<b>6.230.163</b>	<b>11.362.870</b>	<b>4.288.838</b>	<b>3.663.765</b>	<b>7.952.603</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		3.396.918	259.899	3.656.817	3.456.809	-	3.456.809
4.3 Checks Received for Collection		1.527.859	411.526	1.939.385	763.292	105.777	869.069
4.4 Commercial Notes Received for Collection		207.655	51.962	259.617	66.130	47.052	113.182
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		275	1.433.786	1.434.061	2.607	611.077	613.684
4.8 Custodians		-	4.072.990	4.072.990	-	2.899.859	2.899.859
<b>V. PLEDGES RECEIVED</b>		<b>64.934.099</b>	<b>14.006.964</b>	<b>78.941.063</b>	<b>44.782.320</b>	<b>5.956.649</b>	<b>50.738.969</b>
5.1 Marketable Securities		2.974.670	64.324	3.038.994	4.625.008	81.855	4.706.863
5.2 Guarantee Notes		3.295.056	462.109	3.757.165	1.730.425	202.551	1.932.976
5.3 Commodity		2.903.233	2.154.017	5.057.250	2.190.421	803.351	2.993.772
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		44.854.726	8.584.587	53.439.313	30.944.489	3.734.417	34.678.906
5.6 Other Pledged Items		10.906.414	2.741.927	13.648.341	5.291.977	1.134.475	6.426.452
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>		-	-	-	-	-	-
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>80.373.518</b>	<b>44.505.331</b>	<b>124.878.849</b>	<b>58.995.924</b>	<b>23.554.814</b>	<b>82.550.738</b>

The accompanying explanations and notes form an integral part of these financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME/EXPENSE ITEMS	Notes (V-IV)	Current Period 01/01-31/12/2021	Prior Period 01/01-31/12/2020
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>6.259.916</b>	<b>4.191.345</b>
1.1 Profit Share on Loans		4.717.524	3.138.707
1.2 Profit Share on Reserve Deposits		160.424	24.005
1.3 Profit Share on Banks		3.070	23.995
1.4 Profit Share on Money Market Placements		-	-
1.5 Profit Share on Marketable Securities Portfolio		801.333	608.569
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		21.628	7.457
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		685.240	560.652
1.5.3 Financial Assets Measured at Amortised Cost		94.465	40.460
1.6 Financial Lease Income		553.946	379.390
1.7 Other Profit Share Income		23.619	16.679
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>4.745.377</b>	<b>2.122.807</b>
2.1 Profit Share Expense on Participation Accounts		3.234.156	1.508.897
2.2 Profit Share Expense on Funds Borrowed		296.481	199.072
2.3 Profit Share Expense on Money Market Borrowings		570.506	63.603
2.4 Expense on Securities Issued		609.763	327.137
2.5 Lease Profit Share Expense		30.475	23.849
2.6 Other Profit Share Expenses		3.996	249
<b>III. NET PROFIT SHARE INCOME/EXPENSE (I - II)</b>		<b>1.514.539</b>	<b>2.068.538</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>147.334</b>	<b>92.541</b>
4.1 Fees and Commissions Received		232.252	204.648
4.1.1 Non-cash Loans		156.942	111.337
4.1.2 Other		75.310	93.311
4.2 Fees and commissions paid (-)		84.918	112.107
4.2.1 Non-cash Loans		-	-
4.2.2 Other		84.918	112.107
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>-</b>	<b>104</b>
<b>VI. NET TRADING INCOME (Net)</b>	<b>(4)</b>	<b>214.813</b>	<b>83.310</b>
6.1 Capital Market Transaction Gains / Losses		1.026	176.540
6.2 Gains/ Losses From Derivative Financial Instruments		(65.861)	(75.588)
6.3 Foreign Exchange Gains / Losses		279.648	(17.642)
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>551.638</b>	<b>268.144</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>2.428.324</b>	<b>2.512.637</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>958.562</b>	<b>994.213</b>
<b>X. OTHER PROVISIONS (-)</b>	<b>(6)</b>	<b>30.041</b>	<b>173.855</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>317.383</b>	<b>235.155</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>392.167</b>	<b>316.932</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>730.171</b>	<b>792.482</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		<b>-</b>	<b>-</b>
<b>XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		<b>-</b>	<b>-</b>
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XVI)</b>	<b>(9)</b>	<b>730.171</b>	<b>792.482</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(10)</b>	<b>(171.482)</b>	<b>(153.920)</b>
18.1 Current Tax Provision		(373.740)	(201.535)
18.2 Expense Effect of Deferred Tax (+)		(78.530)	(35.731)
18.3 Income Effect of Deferred Tax (-)		280.788	83.346
<b>XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)</b>	<b>(11)</b>	<b>558.689</b>	<b>638.562</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		<b>-</b>	<b>-</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>		<b>-</b>	<b>-</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 (XX-XXI)</b>		<b>-</b>	<b>-</b>
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</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 (XXII±XXIII)</b>		<b>-</b>	<b>-</b>
<b>XXV. NET PROFIT/LOSS (XVIII+XXIV)</b>	<b>(12)</b>	<b>558.689</b>	<b>638.562</b>
Earnings per share income/loss (Full TL)		0,3193	0,3649

The accompanying explanations and notes form an integral part of these financial statements.

## ZİRAAT KATILIM BANKASI A.Ş.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 01/01-31/12/2021	Prior Period 01/01-31/12/2020
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>558.689</b>	<b>638.562</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>28.773</b>	<b>(71.117)</b>
<b>2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss</b>	<b>173</b>	<b>(4.703)</b>
2.1.1 Tangible Assets Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	211	(5.738)
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	(38)	1.035
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>28.600</b>	<b>(66.414)</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	38.088	(85.243)
2.2.3 Gains/losses from Cash Flow Hedges	-	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	(9.488)	18.829
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>587.462</b>	<b>567.445</b>

The accompanying explanations and notes form an integral part of these financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss				Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss				Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Total Equity Excluding Minority Shares	Minority Shares	Total Shareholders' Equity
		Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	7	8	9	10
	<b>PRIOR PERIOD</b>														
I.	31 DECEMBER 2020														
II.	Prior Period End Balance	1.750.000	-	-	261.513	-	(2.365)	-	57.071	555.646	544.963	-	3.166.828	-	3.166.828
2.1	Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.3	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(2.365)	-	57.071	555.646	544.963	-	3.166.828	-	3.166.828
IV.	Total Comprehensive Income	-	-	-	-	-	(4.703)	-	(66.414)	-	-	638.562	567.445	-	567.445
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/Decrease by Other Changes (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	542.395	(542.395)	-	-	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	542.395	(542.395)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Period End Balance (III+IV.....+X+XI)</b>	<b>1.750.000</b>	<b>-</b>	<b>-</b>	<b>261.513</b>	<b>-</b>	<b>(7.068)</b>	<b>-</b>	<b>(9.343)</b>	<b>1.098.041</b>	<b>2.568</b>	<b>638.562</b>	<b>3.734.273</b>	<b>-</b>	<b>3.734.273</b>
	<b>CURRENT PERIOD</b>														
	<b>31 DECEMBER 2021</b>														
I.	Prior Period End Balance	1.750.000	-	-	261.513	-	(7.068)	-	(9.343)	1.098.041	641.130	-	3.734.273	-	3.734.273
II.	Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(7.068)	-	(9.343)	1.098.041	641.130	-	3.734.273	-	3.734.273
IV.	Total Comprehensive Income	-	-	-	-	-	173	-	28.600	-	-	558.689	587.462	-	587.462
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.	Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	Increase/decrease by other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.	Profit Distribution	-	-	-	-	-	-	-	-	641.130	(641.130)	-	-	-	-
11.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	638.562	(638.562)	-	-	-	-
11.3	Other	-	-	-	-	-	-	-	-	2.568	(2.568)	-	-	-	-
	<b>Period end Balance (III+IV.....+X+XI)</b>	<b>1.750.000</b>	<b>-</b>	<b>-</b>	<b>261.513</b>	<b>-</b>	<b>(6.895)</b>	<b>-</b>	<b>19.257</b>	<b>1.739.171</b>	<b>-</b>	<b>558.689</b>	<b>4.321.735</b>	<b>-</b>	<b>4.321.735</b>

- Increases and decreases in Tangible and Intangible Assets Revaluation Reserve
- Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans,
- Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Not Reclassified Through Profit or Loss))
- Exchange Differences on Translation
- Accumulated gains (losses) due to revaluation and/or reclassification of financial assets at fair value through other comprehensive income
- Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Reclassified Through Profit or Loss)

The accompanying explanations and notes form an integral part of these financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
		Current Period 01/01/2021 - 31/12/2021	Prior Period 01/01/2020 - 31/12/2020
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>I.1 Operating profit before changes in operating assets and liabilities</b>		<b>1.476.308</b>	<b>229.435</b>
1.1.1 Profit Share Income Received		5.319.303	4.093.676
1.1.2 Profit Share Expense Paid		(3.939.158)	(2.010.679)
1.1.3 Dividend Received		-	104
1.1.4 Fees and Commissions Received		284.498	204.648
1.1.5 Other Income		295.913	351.453
1.1.6 Collections from Previously Written-off Loans		370.638	319.521
1.1.7 Payments to Personnel and Service Suppliers		(317.383)	(235.155)
1.1.8 Taxes Paid		(155.112)	(39.475)
1.1.9 Others		(382.391)	(2.454.658)
<b>I.2 Changes in Operating Assets and Liabilities</b>		<b>4.121.148</b>	<b>2.171.575</b>
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(978.818)	(1.151.690)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(5.165.109)	(4.076.803)
1.2.3 Net (Increase) / Decrease in Loans		(20.025.767)	(12.314.753)
1.2.4 Net (Increase) / Decrease in Other Assets		(4.769.950)	(1.834.009)
1.2.5 Net Increase / (Decrease) in Bank Funds		1.278.436	6.633.581
1.2.6 Net Increase / (Decrease) in Other Funds		30.198.802	14.295.324
1.2.7 Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	6.961
1.2.8 Net Increase / (Decrease) in Funds Borrowed		575.835	(2.118.238)
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities		3.007.719	2.731.202
<b>I. Net Cash Provided from Banking Operations</b>		<b>5.597.456</b>	<b>2.401.010</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(3.174.968)</b>	<b>(2.858.438)</b>
2.1 Cash Paid for Acquisition of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	-
2.2 Cash Obtained from Disposal of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	-
2.3 Purchases of Property and Equipment		(183.248)	(111.502)
2.4 Disposals of Property and Equipment		8.310	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(6.580.875)	(2.501.065)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		3.580.845	-
2.7 Purchase of Financial Assets Measured at Amortized Cost		-	(231.687)
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		-	(14.184)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>743.547</b>	<b>2.368.503</b>
3.1 Cash Obtained from Funds Borrowed And Securities Issued		12.945.146	14.215.087
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(12.144.495)	(11.724.855)
3.3 Issued Equity Instruments		-	42.943
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(57.104)	(164.672)
3.6 Other		-	-
<b>IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents</b>		<b>207.266</b>	<b>1.456.262</b>
<b>V. Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)</b>		<b>3.373.301</b>	<b>3.367.337</b>
<b>VI. Cash And Cash Equivalents At The Beginning Of The Period</b>		<b>4.686.157</b>	<b>1.403.426</b>
<b>VII. Cash And Cash Equivalents At The End Of The Period</b>		<b>8.059.458</b>	<b>4.770.763</b>

The accompanying explanations and notes form an integral part of these financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE FOR THE YEAR ENDED 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

CONSOLIDATED PROFIT DISTRIBUTION TABLE		
	Current Period <sup>(*)</sup> (31/12/2021)	Prior Period <sup>(*)</sup> (31/12/2020)
<b>I. DISTRIBUTION OF PERIOD PROFIT</b>		
1.1 Period Profit	730.171	792.482
1.2 Taxes Payable and Legal Obligations (-)	171.482	153.919
1.2.1 Corporate Tax (Income Tax) (**)	373.740	153.919
1.2.2 Income Tax Deduction	-	-
1.2.3 Other Taxes and Legal Obligations	(202.258)	-
<b>A. NET PROFIT (1.1-1.2)</b>	<b>558.689</b>	<b>638.562</b>
1.3 Previous Periods Loss (-)	-	-
1.4 First Order Legal Reserve (-)	-	31.928
1.5 Legal Funds Required to Leave and Save at the Bank (-)	-	-
<b>B. DISTRIBUTABLE NET PROFIT [(A- (1.3 + 1.4 + 1.5)]</b>	<b>558.689</b>	<b>606.634</b>
1.6 First Dividend To Shareholders (-)	-	-
1.6.1 To Shareholders	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 Participation in Redeemed Certificates	-	-
1.6.4 To Profit Participation Bonds	-	-
1.6.5 To Profit and Loss Sharing Certificate Holders	-	-
1.7 Dividend to Personnel (-)	-	-
1.8 Dividend to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Shareholders	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 Participation in Dividends	-	-
1.9.4 Profit Participation Bonds	-	-
1.9.5 Profit and Loss Sharing Certificate Holders	-	-
1.10 Second Legal Reserve Fund (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves (***)	-	609.202
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 Reserves Distributed	-	-
2.2 Second Order Legal Reserves (-)	-	-
2.3 Share to Shareholders (-)	-	-
2.3.1 Shareholders	-	-
2.3.2 To Privileged Stock Owners	-	-
2.3.3 Participation in Redeemable Certificates	-	-
2.3.4 To Profit Participation Bonds	-	-
2.3.5 To Profit and Loss Sharing Certificate Holders	-	-
2.4 Share to Personnel (-)	-	-
2.5 Share to the Board of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 Shareholders (***)	-	0,3649
3.2 Shareholders (%)	-	36,4893
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 Shareholders	-	-
4.2 Shareholders (%)	-	-
4.3 To To Owners of Privileged Shares	-	-
4.4 To Owners of Privileged Shares (%)	-	-

(\*) Profit distribution is decided by the General Assembly of the Parent Bank. As of the preparation date of the consolidated financial statements, the General Assembly meeting for 2021 has not been held yet.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

**a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards ("TAS") and "Regulation on Accounting Applications for Banks and Safeguarding of Documents"**

The consolidated financial statements of the Ziraat Katılım Bankası A.Ş. ("Bank" and "Parent Bank) and its subsidiaries subject to consolidation are prepared within the scope of the "Regulation on Accounting Applications for Banks and Safeguarding of Documents" ("Regulation") related with Banking Law numbered 5411 published in the Official Gazette no. 26333 dated 1 November 2006 and other regulations related to reporting principles on accounting records of Banks published by Banking Regulation and Supervision Agency ("BRSA") and circulars and interpretations published by BRSA (together referred as BRSA Accounting and Reporting Legislation) and in case where a specific regulation is not made by BRSA, Turkish Accounting Standards 34 ("TAS 34") and Turkish Financial Reporting Standards ("TFRS") and (referred as "Turkish Accounting and Financial Reporting Regulations" or "Reporting Standards") put into effect by Public Oversight Accounting and Auditing Standards Authority ("POA").

The format and content of the publicly announced consolidated financial statements and their explanations and footnotes, with the "Communiqué on the Financial Statements to Be Announced to Public by Banks" and the Announcements and Disclosures Related to These Communiqués published in the Official Gazette No. 28337 dated 28 June 2012. It has been prepared in accordance with. The Bank maintains its accounting records in Turkish currency in accordance with the Banking Law, Turkish Commercial Code and Turkish tax legislation.

Unless otherwise stated on the basis of historical cost, all balances are presented in thousands of Turkish lira ("TL"), except for the financial assets and liabilities shown at their fair values, on the basis of historical cost.

Preparation of consolidated financial statements requires making estimates and assumptions that affect the amounts of assets and liabilities reported or the contingent assets and liabilities disclosed as of the balance sheet date and the amounts of income and expenses reported in the relevant period. While these estimates are based on management's best judgment and knowledge, actual results may differ from these estimates. The assumptions and estimates used are explained in the related footnotes.

In the first half of 2020, various social and economic measures have been taken in order to reduce this negative situation in our country, as in other countries where the COVID-19 epidemic, which has spread globally, has been effective, and measures continue to be implemented with partial changes. The effects of the COVID-19 outbreak on the Parent Bank's unconsolidated financial statements are regularly monitored by the risk monitoring units and the Bank's Management. In this context, the expected credit loss provisions recognized in the unconsolidated financial statements, the assumptions and judgments used in the estimation of these losses, and the fair value measurements within the scope of TFRS 13 Fair Value Measurement have been reviewed.

While the Group was preparing its financial statements as of 31 December 2021, the possible effects of the COVID-19 outbreak were reflected in the estimates and judgments used in the preparation of the financial statements. The Parent Bank revised its macroeconomic expectations quarterly and reflected the calculations made by taking into account the default probabilities values and the change in loss in case of default in the light of these data, in the consolidated financial statements prepared as of 31 December 2021. Estimates and assumptions used in the calculation of expected credit losses are explained in Note VIII of Section Three.

With the regulations published regarding the implementation of the Indicator Interest Rate Reform, which brings changes in TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, effective from 1 January 2021, -Stage 2 was released in December 2020. The consolidated financial statements of the Group include loans borrowed indexed to benchmark interest rates, and the related reform is not expected to have a significant impact.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)**

On 20 January 2022, the Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies within the Scope of Turkish Financial Reporting Standards. Accordingly, it has been stated that companies applying TFRS are not required to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies.

**b. Explanation for convenience translation into English:**

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

The Parent Bank's main field of activity; It covers banking services such as opening loans in all kinds of cash and non-cash Turkish Lira and foreign currency, conducting transactions in domestic and international money and capital markets, collecting Turkish Lira and foreign currency current / participation accounts. As of the reporting date, most of the Bank's resources consist of funds collected, loans received and equity. The Bank uses this resource mainly as loans and lease certificates. The liquidity structure of the Bank is taken into account in such a way that all liabilities that are due to be met can be met.

Foreign currency transactions are reflected in the records based on the Bank's foreign exchange buying rates at the date of the transaction. At the end of the period, the balances of foreign currency assets and liabilities have been converted into Turkish currency by being evaluated at the end of the period with the Bank's foreign exchange buying rates, and the exchange rate differences are reflected in the records as "foreign exchange transactions profit/loss".

The differences arising from the conversion of securities representing borrowing and monetary financial assets into Turkish Lira are included in the income statement. The Bank does not have any foreign currency differences.

In order to keep liquidity, exchange rate and credit risks within certain limits and to maximize profitability, the Parent Bank's Balance Sheet and Equity management is taken within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to maximize profitability.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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**III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES**

**Consolidation principles applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the "Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks" published in the Official Gazette No. 26340 dated 8 November 2006 and the "Consolidated Financial Statements" ("TFRS 10").

**1. Consolidation principles for subsidiaries:**

Subsidiaries (including special purpose entity) are all entities, in which the Parent Bank has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders' equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

According to the full consolidation method, 100% of the balance sheet, profit or loss statement and off-balance sheet items of the subsidiaries are consolidated with the balance sheet, profit or loss statement and off-balance sheet items of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. There are no minority rights in the consolidated net income of the subsidiary.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (Continued)

##### Consolidation principles applied (Continued):

##### 1. Consolidation principles for subsidiaries (Continued):

The subsidiaries included in consolidation, their title, their place of incorporation, their main activities and their effective shareholding rates are as follows:

31 December 2021				
Title	Address (City/Country)	Main Activities	Group's Share Percentage (%)	Direct and Indirect Partnership Rates (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established and registered to the trade registry in 22 January 2016 with the permission taken from "Banking Regulation and Supervision Agency" and "Capital Markets Board of Turkey". Ziraat Katılım Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

##### 2. Consolidation principles of associates and joint ventures:

As of 31 December 2020, the Group has no subsidiaries and jointly controlled entities.

#### 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 are initially recorded at their fair values. In the periods following the recording of derivative transactions; Depending on whether the fair value is positive or negative, the fair value difference of derivative financial assets is reflected to profit or loss or the fair value difference of derivative financial liabilities is reflected in the balance sheet. Differences in fair value as a result of the valuation are accounted for under profit/loss from derivative financial transactions and foreign exchange gain/loss in the commercial profit/loss item in the profit or loss statement.

The payables and receivables arising from derivative transactions are recorded in off-balance sheet accounts at their agreement amounts.

#### V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The bank started to calculate rediscounts for non-performing loans as of 1 January 2018. And the Bank calculates expense accrual in accordance with the unit value calculation method on participation accounts and reflects these amounts in "Funds Collected" account on the balance sheet.

#### VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Commission income from cash loans are transferred to income accounts in accordance with TFRS 15 Revenue from Customer Contracts standard by using internal rate of return method depending on the periodicity principle. Other fee and commission expenses are recorded in the expense account as soon as they are paid.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES (Continued)**

Commissions and fees received from cash loans and relating to the future periods are recorded to the "Unearned Revenues" account under "Other Liabilities" on the balance sheet. Prepaid expense amounts are recognized as expense on an accrual basis during the service period.

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than "Financial Assets at Fair Value Through Profit or Loss", transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of Bank, if the Bank is a legal party to these instruments.

The Parent Bank categorizes its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition. Financial assets basically constitute the commercial activities and operations of the Bank. These instruments have the feature of revealing, influencing and reducing the liquidity and credit risk in the financial statements.

**Classification and Measurement Within the Scope of TFRS 9**

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by; "Business Model Assessment" and "Contractual Cash Properties Test" are performed to determine the classification of financial assets.

**a. Financial assets at fair value through profit or loss**

Fair value through profit or loss are financial assets that are managed by business model other than the business model that aims to "hold to collect" and "hold & sell" the contractual cash flows; acquired for the purpose of generating profit from short-term fluctuations in price, or regardless of this purpose, the financial assets that are a part of a portfolio with evidence of short-time profit-taking; and the financial assets, whose terms do not give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at the fair value through profit or loss are initially recognized at fair value. All gains and losses arising from these valuations are reflected in the profit or loss statement. Among the financial assets whose fair value difference is reflected in profit or loss, lease certificates traded in BIST are valued at the weighted average clearing prices formed in BIST at the balance sheet date, and financial assets not traded in BIST are valued with the prices of the Central Bank of Turkey. Gains and losses resulting from the valuation are included in the profit/loss accounts.

**b. Financial assets at fair value through other comprehensive income**

Financial assets are classified as fair value through other comprehensive income where the business models aim to hold financial assets in order to collect the contractual cash flows and selling assets and the terms of financial asset give rise to cash flows that are solely payments of principal of interest at certain dates.

Financial assets at fair value through other comprehensive income are recognized by adding transaction cost to acquisition cost reflecting the fair value of the financial asset. After the recognition, financial assets at fair value through other comprehensive income are remeasured at fair value. Profit share income calculated with internal rate of return method arising from financial assets at fair value through other comprehensive income and dividend income from equity securities are recorded to income statement "Unrealized gains and losses" arising from the difference between the amortized cost and the fair value of financial assets at fair value through other comprehensive income are not reflected in the income statement of the period until the acquisition of the asset, sale of the asset, the disposal of the asset, and impairment of the asset and they are accounted under the "Accumulated other comprehensive income or expense to be reclassified through profit or loss" under shareholders' equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)**

**b. Financial assets at fair value through other comprehensive income (Continued)**

**Equity investments**

At the time of initial recording, the Bank recognizes that the fair value of an investment in an equity instrument within the scope of TFRS 9 is not held for commercial purposes or is a contingent consideration recognized in the financial statements of the acquirer in a business combination to which TFRS 3, "Business Combinations" applies. An irrevocable choice may be made to include the changes in the other comprehensive income statement. The Bank makes the said choice separately for each financial instrument.

The relevant fair value differences recognized in the other comprehensive income statement cannot be transferred to profit or loss in the following periods, but are transferred to previous years' profit/loss. Dividends from such investments, on the other hand, are recognized as profit or loss, unless they clearly represent a recovery of part of the cost of the investment. Equity instruments at fair value through other comprehensive income are not subject to impairment calculation.

**c. Financial assets measured at amortized cost:**

The financial asset is considered a financial asset measured at amortized cost if the financial asset is held within the scope of a business model that aims to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that only include the principal and dividend payments arising from the principal balance on certain dates are classified.

Financial assets measured at amortized cost are initially recorded by adding transaction costs to their acquisition costs, which reflect their fair values, and are then measured at "amortized cost" using the internal rate of return. Profit share income related to financial assets measured at amortized cost is reflected in the profit or loss statement.

The Bank's securities portfolios, whose fair value difference is reflected in other comprehensive income and measured at amortized cost, include consumer price ("CPI") indexed lease certificates. The valuation of the mentioned assets during the year is made according to the internal yield method, based on the index created by taking into account the real profit share rates, the treasury reference index and the estimated inflation rate. The actual dividend payment amounts of these securities, and the index values announced by the treasury are used in the purchase and sale transactions and year-end valuations.

The Bank also updates the estimated inflation rate used throughout the year in case of necessity. At the end of the year, the actual inflation rate is used.

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

**Loans**

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the "Internal Rate of Return Method".

Cash loans are accounted with their original balances in the accounts specified in Uniform Chart of Accounts and Prospectus according to their type, maturity and collateral structures. FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Group. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date. Group's loans are recognized under "Measured at Amortized Cost" account.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)**

**Loans (Continued)**

As of 31 December 2021, all loans of the Group, including profit-loss sharing (musharakah) and labor-capital partnership (mudaraba) investments, are followed in the "Measured by Amortized Cost" account. Profit-loss sharing and labor-capital partnership investments followed by the Parent Bank in the loans account according to the BRSA Uniform Chart of Accounts, those to be valued for the first time as of 31 December 2020, with the letter of the BRSA numbered E-43890421-010.07.01-1294, or In accordance with the provisions of the "Interest-Free Finance Accounting Standard 3: Mudaraba Financing" or "Interest-Free Finance Accounting Standard 4: Musharakah Financing" standards for partnership financing funds in the form of "labor-capital partnership" or "profit-loss sharing" that are newly made available after 1 January 2021 was accounted for.

**Explanations on expected loss provisions**

The Parent Bank sets aside the expected loss provision for its loans and receivables by taking into consideration the "Regulation on the Classification of Loans and the Procedures and Principles Regarding the Provisions to be Set Aside" (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750. As of January 1, 2018, provision for impairment has been allocated in accordance with the provisions of TFRS 9. In this context, the Group takes into consideration the general structure of the loan portfolio, the financial structure of the customers, the non-financial data and the economic conjuncture in line with the credit risk policies and prudence principle when determining its estimates.

The main principle of the expected credit loss model is to reflect the general outlook of deterioration or improvement in the credit quality of financial instruments. The amount of expected credit losses known as loss provision or provision varies according to the degree of increase in credit risk. There are two measurements according to the general approach:

- 12-Month Expected Loss Provision (Stage 1) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expected Loss (Stage 2 and Stage 3) is applied when there is a significant increase in credit risk.

The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables, contract assets, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan.

While expected credit loss is an estimate of expected losses from a loan over the life of a financial instrument, the following considerations are important for 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:

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)**

***Provision for 12 month expected credit loss (Stage 1)***

These are the financial assets that do not have a significant increase in credit risk at their initial recognition or after the initial recognition to financial statements. Impairment for credit risk for these assets is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan.

The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

***Significant increase in credit risk (Stage 2)***

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. While 1-year expected credit loss is calculated for at stage 1, all remaining maturity expected credit loss is calculated for loans at stage 2.

The main criteria taken into account in determining the significant increase in the credit risk of the financial asset and its transfer to the 2nd stage; being watch list, the number of days of delay being 30 days or more (Based on the BRSA's Decision dated September 16, 2021 and numbered 9795, those with a delay between 30 and 90 days as of October 1, 2021 continue to be classified as the 1st stage) and the internal early warning system rating of the Bank.

***Default (Stage 3)***

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recorded.

The Bank assesses that debt is in default in the following two cases:

- Objective Default Definition: Means the debt is overdue for more than 90 days. With the debt being overdue by 90 days, the default starts on the 91st day (according to the BRSA's Decision dated September 16, 2021 and numbered 9795, those with a delay between 90 and 180 days as of October 1, 2021 continue to be classified as the 2nd stage).
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. An expected credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original effective dividend and discounted cash flows.

When cash flows are estimated, the following situations are considered:

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)**

**Probability of Default**

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

**Default Amount**

The default amount represents the expected gross receivable if a loan is defaulted.

**Loss Given Default**

Loss given default refers to the ratio of the economic net loss resulting from the default of a loan to the default amount. In other words, it refers to the ratio of net loss due to a defaulted loan to the balance at the time of default.

**Future Expectations**

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. When including macroeconomic information, models and estimations that reflect the relationships between model risk parameters and macroeconomic variables are taken into account. While creating the relevant models, the effects of many macroeconomic variables (Credit Default Swap (CDS), CPI, Unemployment rate, GDP, Industry Tracking Rates, Deposit Interest Turkey, etc.) are analyzed, among which variables that best reflect the default probabilities of our Bank's customers are used.

The Group uses 3 scenarios for forward-looking expectations: base, bad and good. All 3 scenarios have predetermined weights. The Group applies macroeconomic variables to its models by updating them every 3 months in March, June, September and December, which is used in the evaluation of the significant increase in credit risk and in the calculation of expected credit loss. As of 31 December 2021, macroeconomic variables, which are taken as a basis in the calculation of expected credit losses and including the effect of COVID-19 are reflected in the models.

**The Methodology of Behavioral Maturity Calculation**

The loans in Stage 1, expected loss provision is calculated until their maturity for the ones which have less than one year to due date and for 1 year which have more than one year to due date. The loans in Stage 2, expected loss provision is calculated for lifetime (until maturity date) of the loan. In this calculation, the remaining maturity information of the loan is taken as basis for each loan. While this information is used for products with real maturity information, behavioral maturity is calculated by analysing historical data for products with no maturity information. Expected loss provisions are calculated based on these maturities depending on the type of loan.

**Write-off Policy**

The amendment with respect to the regulation on the Principles and Procedures Regarding the Classification of Loans and Reserves Set Aside for These Loans entered into force with its publication in the Official Gazette No.30961 on November 27, 2019. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) if it cannot reasonably be expected to be recovered. Since the reporting period, it can be written-off from the records under TFRS 9. The write-off is an accounting policy and does not result in the waiver of the right to receivable. Within the scope of this amendment, no credit has been written-off by the Bank as of the reporting date.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when the Parent Bank has legally enforceable rights to offset the recognized amounts and there is an intention to collect/pay the related financial assets and liabilities on a net basis, or to realize the asset and settle the liability simultaneously.

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES**

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of 31 December 2021, there are no securities lending transactions (31 December 2020: None). Securities sold under agreements for repurchase agreements ("Repos") are classified as "Fair Value Through Profit or Loss", "Fair Value Through Other Comprehensive Income" and "Financial Asset Measured at Amortized Cost" in the portfolio of the bank, according to the purposes of the Bank, and they are subject to valuation according to the portfolio which are belong. Funds obtained in return for repo agreements are accounted in "Money Markets Receivables" account and interest expense accruals for the period are calculated with the effective interest rate method.

Securities purchased with Resale commitment ("Reverse Repo") are accounted in "Money Markets Receivables" on the balance sheet and interest income accruals for the period are calculated with the effective interest rate method.

**XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES**

The assets acquired by the Parent Bank due to its receivables are accounted for in accordance with "TFRS 5 Turkish Financial Reporting Standard for Non-current Assets Held for Sale and Discontinued Operations" in financial statement of the Parent Bank.

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan. Various events or circumstances may extend the completion time of the sale transaction beyond one year. If the delay has occurred due to events or conditions beyond the control of the Bank and there is sufficient evidence that the Bank's plan to sell the related asset (or the group of assets to be disposed of) is still in progress, the said assets continue to be classified as held for sale. The properties acquired by the Parent Bank due to receivables are shown in the line of held for sale in the financial statements depending on the termination of the term sales contract. A discontinued operation is a division of a business that is classified as disposed or held for sale. The results related to discontinuing operations are presented separately in the profit or loss statement. The Parent Bank does not have any discontinued operations.

As of 31 December 2021, non-current assets of the Parent Bank held for sale are TL 307.881 (31 December 2020: TL 75.240).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, there is no goodwill in the financial statements of the Bank.

Other intangible assets are measured at cost on initial recognition and any directly attributable costs of setting the asset to work for its intended use are included in the initial measurement. Subsequently, intangible assets are carried at historical costs after the deduction of accumulated depreciation and the provision for value decreases.

Other intangible assets are amortized using the straight line method based on their useful lives. Useful lives of other intangible assets are determined with assessments such as the expected life of the asset, technical, technological or other types of aging and the maintenance costs required to obtain the economic benefit expected from the asset. There is no change in the depreciation method applied in the current period.

The Parent Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software's initial costs and amortized over 3-15 years considering the useful life.

#### XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognised and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement.

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

Vehicles and fixtures	:	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements)	:	Leasing Period - 5 years

Ordinary maintenance and repair expenses incurred for tangible assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

The depreciation of an asset held for a period less than a full financial year is calculated as a proportion of the full year depreciation charge from the date of acquisition to the financial year end. Leasehold improvements are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

There are no pledges, mortgages and other measures on tangible fixed assets, or commitments made for their purchase, or there is no restriction on the exercise of the right of disposition on them.

#### XIV. EXPLANATIONS ON LEASING TRANSACTIONS

##### *Operational Leasing Transactions*

##### *Transactions as a lessee*

At the beginning of a contract, the Bank evaluates whether the contract has a lease or does not include a lease. In the event that the contract is transferred for a certain period of time to the right to control the use of the asset defined for a price, this contract is of a rental nature or includes a lease. The Bank reflects the existence of a right of use and a lease liability to the financial statements at the effective date of the lease.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)**

*Right of use;*

The Bank applies the "TFRS 16 - Leases" standard in the accounting of leasing transactions.

In accordance with the "TFRS 16 - Leases" standard, the Group calculates the "right of use" amount based on the present value of the lease payments of the fixed asset subject to lease at the beginning of the lease and includes it in "tangible fixed assets".

The right of use asset is recognized first by cost method and includes below:

- a) The initial measurement amount of the lease obligation,
- b) The amount obtained by deducting all the rental incentives received from all lease payments made at or before the beginning of the lease,
- c) All initial direct costs incurred by the Bank.

When applying the cost method, the existence the right of use:

- a) Measures by deducting accumulated depreciation and accumulated impairment losses and
- b) The restatement of the lease obligation at the restated cost..

The Bank applies principle of amortization in TAS 16 Property, Plant and Equipment while depreciating the right of use.

*Lease Liabilities:*

At the date of the effective leasing of the lease, the Bank measures its leasing liability at the present value of the lease payments not paid at the time. Lease payments are discounted using the imputed rate of interest in the lease if they can be easily determined. If this rate cannot be easily determined, the Bank uses the Bank's alternative borrowing rate. Lease payments that are included in the measurement of the lease liability at the date the lease is commenced consist of the unpaid payments to be made for the right of use during the lease term of the underlying asset and the date on which the lease has actually begun:

After the effective date of the lease, the Bank measures the leasing liability as follows:

- a) Increases the book value to reflect the rate of profit in the lease obligation,
- b) Reduces the book value to reflect the rent payments made and
- c) Re-assess the book value to reflect re-evaluations and reconstructions, or to reflect the lease payments that are fixed on the revised basis.

The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation. The Participation Bank takes part as a lessor in leasing transactions. The Participation Bank indicates the assets subject to leasing as a receivable equal to the net lease investment amount in the balance sheet. The total of the lease payments is gross in the 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 lease receivables account; the profit share is reflected in the statement of profit or loss by deducting from the unearned profit share income account.

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

Provisions other than the specific and general provisions set for loans and other receivables and provisory liabilities are accounted in accordance with TAS 37 "Turkish Accounting Standard on Provisions, Contingent Liabilities and Contingent Assets Corresponding".

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES (Continued)**

The Parent Bank provides provision in case of an existing liability (legal or implicit) as a result of an incident that took place in the past, there is possibility of disposal of assets that bring economic benefit and the liability is measurable. When a reliable estimate of the amount of obligation cannot be made, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements.

For transactions that can affect financial structure, provisions are provided by using the existing data if they are accurate, otherwise by using the estimates.

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

Contingent assets usually arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the entity. Contingent assets are not recognized in financial statements since this may result in the recognition of income that may never be realized. Contingent assets are disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements in which the change occurs.

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

**a. Employment termination and vacation benefits**

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 "Accounting Standard of Employee Benefits" and the Group's liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value.

According to the related regulation, the Group is obliged to pay termination benefits depending on the arise of the legal conditions for employees who retire, die, quit for their military service obligations, who have been dismissed as defined in the related regulation or ,for the female employees, who have voluntarily quit within one year after the date of their marriage. According to the related legislation, depending on the status and position of the employee in the Bank and social security institution, Employment Termination Benefit Provision calculation is based on the final salary at the date of retirement or leave (to the extent that the payments and/or salary amount does not exceed the Employment Termination Benefit Provision ceiling). Employment Termination Benefit is calculated based on actuarial assumptions.

The Group makes assumptions on issues such as discount rate, employee turnover, future salary increases while determining the liability. As of 31 December 2021, the Group's severance pay liability is TL 26.259 (31 December 2020: TL 18.984).

Communiqué on "Turkish Accounting Standard ("TAS19") about Benefits for Employee (No:9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority ("POA") on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 6.895 was classified under shareholders' equity in the financials. (31 December 2020: TL 7.068 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2021 unused vacation liability of the Bank is TL 10.500 (31 December 2020: TL 7.250).

The Group does not employ personnel on fixed-term contracts.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)**

**b. Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN)**

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

With the publication of the reasoning of the decision, the Grand National Assembly of Turkey ("GNAT") started to work on new legal arrangements regarding the transfer of the fund members to SSI and the related articles of the "Law Regarding the Changes in Social Insurance and General Health Insurance Law and Other Related Laws and Regulations" No 5754 ("the New Law") regulating the transfer of the funds were approved by the GNAT on 17 April 2008. The New Law was published in the Official Gazette dated 8 May 2008, numbered 26870 and came into force.

According to the new law bank pension funds participants and salaried members or the rightful owners would be transferred to Social Security Institution and would be subject to its legislation within three years beginning from the date of publication without any required transaction. Three years transfer period would be extended by two years at most with the decision of Council of Ministers. In accordance with the related legislation, as of the transfer date, the cash value of the liabilities will be calculated by considering the income and expenses of the transferred funds by the insurance branches and by using the actuarial interest rate of 9,80%. Moreover, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

In accordance with 58th article and 7th provisional article of the Banking Law, restricting banks from transferring any funds to the pension funds in order to compensate the actuarial deficits effective from 1 January 2008, has been delayed up to 5 years.

Based on the Council of Ministers' decree numbered 2011/1559 and issued in the Official Gazette numbered 27900, dated 9 April 2011, and 20th provisional article of law numbered 506, the deadline for transferring banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchange markets and the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for two years.

Besides, the phrase of "two years" in Clause (2), Article 1 of the temporary 20th provision of the law numbered 5510 is revised as "four years" with the law numbered 6283 amending on the Social Insurance and General Health Insurance Law, published in the Official Gazette numbered 28227, dated 8 March 2012.

Based on the Council of Ministers' decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

##### XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS (Continued)

###### b. Liability of T.C. Ziraat Bankası and T. Halk Bankası Members Pension and Relief Fund (TZHEMSAN) (Continued)

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506.

As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law. Based on the decision of the Council of Ministers dated 24 February 2014; May 2015 was determined as the transfer period. As a result of the last amendment made in the first paragraph of the provisional article 20 of the Law No. 5510 and the Occupational Health and Safety Law No. 6645 published in the Official Gazette dated 23 April 2015 and numbered 29335; The Council of Ministers has been authorized to determine the transfer date and the President has been authorized to determine the transfer date in the repeated Official Gazette numbered 30473 on 9 July 2018.

The technical balance sheet report as of 31 December 2021 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

Corporate Tax Law No. 5520, which was published in the Official Gazette dated 21 June 2006 and numbered 26205, effective from January 1, 2006, the corporate tax rate applied at the rate of 20% for corporate earnings, With the provision in Articles 11 and 14 of the "Law on the Procedure for the Collection of Public Receivables and the Law on Amendments to Certain Laws" published in the newspaper, starting from the declarations that must be submitted as of 1 July 2021 and the taxation period starting from 1 January 2021 it has been rearranged as 25% for the corporate earnings for the 2021 fiscal period and 23% for the 2022 fiscal period, to be valid for the corporate earnings. The rate applied in the first period temporary tax return for the 2021 accounting period earnings is 20%, and this rate is applied as 25% as of the second period temporary tax return. The corporate tax rate is applied to the tax base to be found as a result of the addition of non-deductible expenses to the commercial earnings of the companies, the exemption (such as participation income exemption) and deductions in the tax laws. No further tax is paid if the profit is not distributed.

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 calculate advance tax quarterly on their financial profits at the corporate tax rate valid for that year and declare and pay until the 17th day of the second month following that period. Advance tax paid by corporations for the current period is offset 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 used to offset any other financial liabilities to the government.

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON TAXATION (Continued)**

**a. Current tax (Continued)**

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from Corporation Tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017. According to dated 23 December 2017 3rd article of Corporation Tax Code (CTC) 14 annunciation this exemption will apply as ratio of 75% for selling that made till the 5 December 2017, after this date it will apply as ratio of 50%).

This exemption applies to the period the sale is made and the part of return on sales that benefits from the exemption is held in a special fund in the liabilities account until the end of the fifth year started from the following year sale is made. However, the sales payment must be collected until the end of the second calendar year following the year in which the sale is made. Taxes which are not realized in time due to the exemption that hits uncollected sales payment are considered tax loss.

Taxes which does not accrue on time because the applying exemption for the transfer of the expented part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantors' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 75% of real estates, and 50% others are exempted from Corporation tax.

Under the Turkish Corporate Tax Law, losses can be carried forward to offset against future taxable income for up to five years. Losses cannot be carried back to offset profits from previous periods.

Tax returns are required to be filled and delivered to the related tax office until the end of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the Law No. 7352 on the Amendment of the Tax Procedure Law and the Corporate Tax Law, published in the Official Gazette dated 29 January 2022 and numbered 31734, the temporary article 33 was added to the Tax Procedure Law No. 213, including the provisional tax periods. Financial statements will not be subject to inflation adjustment for the 2021 and 2022 accounting periods (for those designated as a special accounting period, as of the accounting periods ending in 2022 and 2023) and the provisional tax periods for the 2023 accounting period, regardless of whether the conditions for the repetitive inflation adjustment within the scope of Article 298 are met, it has been enacted that the 2023 financial statements will be subject to inflation adjustment regardless of whether the conditions for the inflation adjustment are met, and the profit/loss differences arising from the inflation adjustment to be made will be shown in the previous years profit/loss account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON TAXATION (Continued)**

**b. Deferred tax**

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax" and taking into account the additional regulation introduced by the Law No. 7316 of 22 April 2021, the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation. In accordance with the relevant law, the Corporate Tax rate has been increased to 25% for the taxation period starting from 1 January 2021, starting with the declarations that must be submitted as of 1 July 2021, and this rate will be applied as 23% for the period of 2022. As of 31 December 2020, deferred tax is calculated over 20%.

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates. In the calculation of deferred tax, the Bank estimates the time when temporary differences will be taxable/deductible and uses enacted tax rates as of the balance sheet date in accordance with the current tax legislation. As the deferred tax assets or liabilities within the scope of TAS 12 are calculated based on the tax rates (and tax laws) that are in effect or nearly effective as of the end of the reporting period (balance sheet date), using the tax rates expected to be applied in the periods when the assets are converted into income or the liabilities are paid, the Parent Bank As of 31 December 2021, deferred tax calculations were made on its assets and liabilities at rates varying between 20% and 25%. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future. Except for goodwill or business combinations, deferred tax liability or asset is not calculated for temporary timing differences arising from the initial recognition of assets or liabilities and which do not affect both commercial and financial profit or loss.

Carrying amount of deferred tax asset is reviewed as of each balance sheet date. Carrying value of deferred tax asset is reduced to the extent that it is not probable that a financial profit will be obtained to allow some or all of the deferred tax asset to be benefited.

Deferred tax is calculated over the tax rates valid in the period when assets are created or liabilities are fulfilled and recorded as expense or income in the income statement. However, deferred tax is associated directly with the equity account group if it relates to assets directly associated with equity in the same or a different period.

Calculated deferred tax assets and deferred tax liabilities are netted off in the unconsolidated financial statements.

The deferred tax effects of transactions accounted for directly in equity are also presented in equity.

As of 1 January 2018, deferred tax assets have been started to be calculated over the expected loss provisions that constitute temporary difference within the framework of TFRS 9 provisions. Deferred tax calculations are not made for free provisions.

**XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS**

The Group recognizes its debt instruments in accordance with TFRS 9 "Financial Instruments" and all financial liabilities are carried at amortized cost by using effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

##### **XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

As of the balance sheet date, the Parent Bank has not issued any shares.

##### **XX. EXPLANATIONS ON ACCEPTANCES**

The Group's debt commitments regarding bills and acceptances are accounted for under "Off-balance sheet Liabilities".

##### **XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES**

As of the balance sheet date, the Group does not have any government incentives.

##### **XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS**

Cash and cash equivalents are cash on hand, demand deposits and other highly liquid short-term investments with maturities of 3 months or less following the date of acquisition, which is readily convertible to a known amount of cash, and does not bear the risk of significant amount of value change. The book values of these assets represent their fair values.

For the purposes of the cash flow statement, "Cash" includes cash, effectives, gold, cash in transit, purchased cheques and demand deposits including balances with the Central Bank; and "Cash equivalents" include interbank money market placements and time deposits at banks with original maturity periods of less than three months.

##### **XXIII. EXPLANATION ON SEGMENT REPORTING**

Information about operating segments which are determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments" together with organizational and internal reporting structure of the Bank, are disclosed in Note IX. of Section Four.

##### **XXIV. EXPLANATION ON OTHER MATTERS**

None.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### SECTION FOUR

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK

##### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

Equity amount and capital adequacy standard ratio, within the framework of "Regulation on Banks' Equity" and "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" and in addition to these, the following regulations of the BRSA;

- In the calculation of the amount subject to credit risk within the framework of the regulation dated 16 September 2021 and numbered 9795; when calculating the valued amounts in foreign currency, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date can be used.
- In case the net valuation differences of the securities held by banks in the "Securities at Fair Value through Other Comprehensive Income" portfolio within the framework of the regulation dated 21 December 2021 and numbered 9996 are negative, these differences may not be taken into account in the equity amount. In case the net valuation differences of the securities held by banks in the "Securities at Fair Value through Other Comprehensive Income" portfolio within the framework of the regulation dated 21 December 2021 and numbered 9996 are negative, these differences may not be taken into account in the equity amount.

The current period equity amount calculated as of 31 December 2021, taking into account the latest regulations, is 6.747.612 TL (31 December 2020: 4.704.364 TL), and the capital adequacy standard ratio is 14,02% (31 December 2020: 14,75%). The capital adequacy standard ratio of the Parent Bank is above the minimum ratio determined by the relevant legislation.

##### Information related to the components of shareholders' equity:

	Current Period 31.12.2021	Prior Period 31.12.2020
<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	1.750.000
Share issue premiums	-	-
Reserves	1.739.171	1.098.041
Gains recognized in equity as per TAS	418.988	245.102
Profit	558.689	641.130
Current Period Profit	558.689	638.562
Prior Period Profit	-	2.568
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
<b>Common Equity Tier 1 Capital Before Deductions</b>	<b>4.466.848</b>	<b>3.734.273</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	139.776	-
Improvement costs for operating leasing	33.991	21.363
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	223.839	161.257
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	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31.12.2021	Prior Period 31.12.2020
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 I Capital</b>	<b>397.606</b>	<b>182.620</b>
<b>Total Common Equity Tier I Capital</b>	<b>4.069.242</b>	<b>3.551.653</b>
<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(**)	1.150.435	706.370
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
<b>Additional Tier I Capital before Deductions</b>	<b>-</b>	<b>-</b>
<b>Deductions from Additional Tier I Capital</b>	<b>-</b>	<b>-</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>	<b>-</b>	<b>-</b>
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
<b>Total Deductions From Additional Tier I Capital</b>	<b>-</b>	<b>-</b>
<b>Total Additional Tier I Capital</b>	<b>1.150.435</b>	<b>706.370</b>
<b>Total Tier I Capital (Tier I Capital+Common Equity+Additional Tier I Capital)</b>	<b>5.219.677</b>	<b>4.258.023</b>
<b>TIER II CAPITAL</b>		
Debt instruments and share issue premiums deemed suitable by the BRSA(***)	1.300.000	300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	229.704	149.669
<b>Tier II Capital Before Deductions</b>	<b>1.529.704</b>	<b>449.669</b>
<b>Deductions From Tier II Capital</b>	<b>-</b>	<b>-</b>
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments 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>-</b>	<b>-</b>
<b>Total Tier II Capital</b>	<b>1.529.704</b>	<b>449.669</b>
<b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>	<b>6.749.381</b>	<b>4.707.692</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31.12.2021	Prior Period 31.12.2020
<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	1.770	3.328
<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 (Total capital and contribution capital)	<b>6.747.612</b>	<b>4.704.364</b>
Total risk weighted amounts	48.141.964	31.904.109
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	8,45	11,13
Tier 1 Capital Adequacy Ratio (%)	10,84	13,35
Capital Adequacy Ratio (%)	14,02	14,75
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>2,50</b>	<b>2,50</b>
a) Capital conservation buffer requirement (%)	2,50	2,50
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	3,95	6,63
<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 1 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 1 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)	229.704	149.669
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	229.704	149.669
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>	<b>-</b>	<b>-</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	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 of the borrowing instruments to be included in equity calculation

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 300 Million
Par value of instrument	TL 300 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	29 March 2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
<b>Coupons/dividends<sup>(*)</sup></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"	In Compliance with Article number 8
Details of incompliance 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 OF 31 DECEMBER 2021

(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 of the borrowing instruments to be included in equity calculation (Continued)

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 500 Million
Par value of instrument	TL 500 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	16 April 2021
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<sup>(*)</sup></b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	18,00%
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"	In Compliance with Article number 8
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 of the borrowing instruments to be included in equity calculation (Continued)

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Murabaha Loan as Secondary Capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 500 Million
Par value of instrument	TL 500 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	17 November 2021
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<sup>(*)</sup></b>	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	17,75%
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"	In Compliance with Article number 8
Details of incompliance with article number 7 and 8 of "Own fund regulation"	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 of the borrowing instruments to be included in equity calculation (Continued)

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
<b>Regulatory treatment</b>	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at consolidated / consolidated	Consolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 1.150 Million
Par value of instrument	TL 1.474 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	24 April 2019
Perpetual or dated	Undated
Original maturity date	24 April 2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
<b>Coupons/dividends (*)</b>	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
<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"	In Compliance with Article number 7
Details of incompliance with article number 7 and 8 of "Own fund regulation"	In Compliance with Article number 7

(\*) Profit share for participation banks.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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

	Current Period 31.12.2021	Prior Period 31.12.2020
<b>Balance sheet equity value</b>	<b>4.321.735</b>	<b>3.734.273</b>
Equity value of balance sheet	(33.991)	(21.363)
Cost of development of operating lease	(223.839)	(161.257)
Goodwill and other intangible assets and related deferred tax liability	1.300.000	300.000
Debt instruments and premiums approved by BRSA	229.704	149.669
Tier II Capital	1.150.435	706.370
Debt instruments and premiums approved by BRSA - subordinated loans	(1.770)	(3.328)
Other values deducted from equity	5.338	-
<b>Amount taken into consideration in the calculation of legal equity</b>	<b>6.747.612</b>	<b>4.704.364</b>

##### II. EXPLANATIONS ON CONSOLIDATED CREDIT RISK

Credit risk is the possibility of loss that the bank may be exposed due to the partial or complete default of the debtor by not complying to the obligations of the agreement made, or due to the decrease in credit worthiness.

The authority to allocate loans mainly belongs to the Board of Directors, and the limits of the loan customers are determined within the framework of the credit authorization limits of the Head Office Credit Committee and the Board of Directors pursuant to the authority given by the Board of Directors. Limits are allocated by evaluating many factors such as financial and non-financial data of loan customers, loan needs, sectoral and geographical characteristics.

In terms of credit risk, the debtor or group of debtors are subject to risk limitations. The debtor and group of debtors and the risk limitations of the sectors are monitored weekly within the scope of their risk appetite.

The limits for the loan portfolio are determined with the approval of the Board of Directors and revised when necessary. The determined limits are distributed by the relevant Head Office units, taking into account the existing portfolio structure, customer and loan potential, regional and sectoral characteristics, and the competence of the staff.

After the limit is allocated to customers in the commercial portfolio, companies continue to be monitored, and changes in the financial structures and market relations of the companies with funds are monitored.

Documents to be obtained during limit allocation and fund utilization are clearly stated in the legislation, and whether the said documents are obtained in accordance with the legislation is controlled by the inspection units. The Bank considers the collateral important in terms of minimizing the risk and its liquidation. As a result of the credit policies and processes based on obtaining reliable and robust guarantees, the Bank is believed to significantly reduce the credit risk.

The Bank implements the internal rating procedures for the analysis of the credit worthiness of its Corporate/Entrepreneurial loan customers as a decision support system in loan allocation.

The Bank makes provision in conformity with the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

Identification of limits for domestic and foreign banks are done by rating which is determined by considering the needs of clients and departments together with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are monitored.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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)**

**II. EXPLANATIONS ON CREDIT RISK (Continued)**

The expected loss provision (third stage) is calculated for loans belonging to customers classified as non-performing loans in accordance with the the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”, taking into account the guarantees received from the relevant customer.

The percentage of top 100 and top 200 cash loans in the total cash loan portfolio is 46,10% and 56,80% respectively (31 December 2020: 42,10% and 52,51%).

The percentage of top 100 and top 200 non-cash loans in the total non-cash loan portfolio is 55,17% and 67,56% respectively (31 December 2020: 52,50% and 65,79%).

The percentage of top 100 and top 200 cash and non-cash loans in the total cash and non-cash loan portfolio is 41,77% ve 53,11% respectively (31 December 2020: 44,95% and 56,14%).

IFRS 9 expected loss provisions for the loans for the Stage 1 and Stage 2 are amounted TL 397.184 (31 December 2020: TL 364.383)

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### The Profile of Important Risks of Important Regions

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
<b>Current Period 31.12.2021</b>																	
Domestic	16.859.321	-	303.839	-	-	1.510.621	36.800.131	8.982.302	6.424.970	257.585	13.994	-	-	-	-	1.250.969	72.403.732
European Union Countries	-	-	-	-	-	308.509	-	703	-	-	31	-	-	-	-	-	309.243
OECD Countries <sup>(*)</sup>	-	-	-	-	-	736.779	283	-	-	-	-	-	-	-	-	-	737.062
Off-shore Banking Regions	-	-	-	-	-	-	198.913	-	-	-	-	-	-	-	-	-	198.913
USA, Canada	-	-	-	-	-	204.224	-	-	-	-	-	-	-	-	-	-	204.224
Other Countries	-	-	-	-	-	251.110	101.644	8	-	-	63.692	-	-	-	-	-	416.454
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>16.859.321</b>	<b>-</b>	<b>303.839</b>	<b>-</b>	<b>-</b>	<b>3.011.243</b>	<b>37.100.971</b>	<b>8.983.013</b>	<b>6.424.970</b>	<b>257.585</b>	<b>77.717</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.250.969</b>	<b>74.269.628</b>

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

<sup>(\*)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(\*\*)</sup> Assets and liabilities that could not be distributed on a consistent basis.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### The Profile of Important Risks of Important Regions (Continued)

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
<b>Prior Period 31.12.2020</b>																	
Domestic	8.707.427	-	267.687	-	-	4.095.017	25.524.179	6.324.480	4.366.671	258.567	-	-	-	-	-	584.743	50.128.771
European Union Countries	-	-	-	-	-	855.147	549	6.786	2.141	-	-	-	-	-	-	-	86.623
OECD Countries <sup>(*)</sup>	-	-	-	-	-	13.521	-	75	6	-	-	-	-	-	-	-	13.602
Off-shore Banking Regions	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	160
USA, Canada	-	-	-	-	-	44.795	-	74	82	-	-	-	-	-	-	-	44.951
Other Countries	-	-	-	-	-	59.865	72.500	5.085	599	-	104.158	-	-	-	-	-	242.207
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8.707.427</b>	<b>-</b>	<b>267.687</b>	<b>-</b>	<b>-</b>	<b>5.068.505</b>	<b>25.597.228</b>	<b>6.336.500</b>	<b>4.369.499</b>	<b>258.567</b>	<b>104.158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>584.743</b>	<b>51.294.314</b>

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

<sup>(\*)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(\*\*)</sup> Assets and liabilities that could not be distributed on a consistent basis.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### Risk Profile by Sectors or Counterparties

Current Period 31.12.2021	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional receivables from corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mort- gages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Risk Classes	
																			Total	
Sectors/Counterparties																				
Agriculture	-	-	1	-	-	-	275.496	157.357	31.012	866	-	-	-	-	-	-	382.265	82.467	464.732	
Farming and Stockbreeding	-	-	1	-	-	-	233.062	107.159	26.201	859	-	-	-	-	-	-	318.462	48.820	367.282	
Forestry	-	-	-	-	-	-	16.123	42.755	2.465	7	-	-	-	-	-	-	57.283	4.067	61.350	
Fishing	-	-	-	-	-	-	26.311	7.443	2.346	-	-	-	-	-	-	-	6.520	29.580	36.100	
Manufacturing	203.146	-	264.623	-	-	-	19.876.548	3.043.074	1.044.607	62.238	-	-	-	-	-	-	9.463.897	15.030.339	24.494.236	
Mining and Quarrying Production	-	-	-	-	-	-	651.795	47.732	34.012	492	-	-	-	-	-	-	206.180	527.851	734.031	
Manufacturing Industry	203.146	-	110.642	-	-	-	16.947.803	2.906.060	984.553	61.660	-	-	-	-	-	-	8.632.881	12.580.983	21.213.864	
Electric, Gas and Water	-	-	153.981	-	-	-	2.276.950	89.282	26.042	86	-	-	-	-	-	-	624.836	1.921.505	2.546.341	
Construction	-	-	11	-	-	-	6.190.130	1.178.981	977.025	56.910	-	-	-	-	-	-	5.250.839	3.152.218	8.403.057	
Services	16.656.175	-	39.204	-	-	3.011.243	10.505.849	3.160.795	1.275.394	135.592	63.858	-	-	-	-	-	17.854.556	16.993.553	34.848.110	
Wholesale and Retail Trade	-	-	150	-	-	-	4.545.540	2.385.496	684.572	120.425	51	-	-	-	-	-	5.676.336	2.059.898	7.736.234	
Hotel Food and Beverage Services	-	-	32	-	-	-	542.837	102.689	112.839	546	7	-	-	-	-	-	432.880	326.070	758.950	
Transportation and Telecommunication	-	-	-	-	-	-	1.207.244	203.945	26.092	9.578	-	-	-	-	-	-	354.828	1.092.031	1.446.859	
Financial Institutions	16.656.175	-	89	-	-	3.011.243	907.090	2.069	6.695	2	63.654	-	-	-	-	-	8.022.575	12.624.441	20.647.017	
Real Estate and Leasing Services	-	-	14.547	-	-	-	2.724.031	347.904	368.928	4.126	35	-	-	-	-	-	2.844.699	614.872	3.459.571	
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Services	-	-	40	-	-	-	42.869	28.769	57.362	915	-	-	-	-	-	-	114.554	15.401	129.955	
Health and Social Services	-	-	24.346	-	-	-	536.238	89.923	18.906	-	111	-	-	-	-	-	408.684	260.840	669.524	
Other	-	-	-	-	-	-	252.948	1.442.806	3.096.932	1.979	13.859	-	-	-	-	-	1.250.969	4.670.600	1.388.893	6.059.493
Total	16.859.321	-	303.839	-	-	3.011.243	37.100.971	8.983.013	6.424.970	257.585	77.717	-	-	-	-	-	1.250.969	37.622.157	36.647.470	74.269.628

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### Risk Profile by Sectors or Counterparties (Continued)

Prior Period	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Risk Classes	
																			Total	
Sectors/Counterparties	-	-	-	-	-	-	198.878	134.867	19.600	986	-	-	-	-	-	-	258.757	95.574	354.331	
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Farming and Stockbreeding	-	-	-	-	-	-	164.440	106.604	18.558	860	-	-	-	-	-	-	217.874	72.588	290.462	
Forestry	-	-	-	-	-	-	10.168	19.379	1.042	126	-	-	-	-	-	-	29.664	1.051	30.715	
Fishing	-	-	-	-	-	-	24.270	8.884	-	-	-	-	-	-	-	-	11.219	21.935	33.154	
Manufacturing	-	-	232.935	-	-	-	12.589.802	2.142.431	432.093	88.841	-	-	-	-	-	-	7.461.418	8.024.684	15.486.102	
Mining and Quarrying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Production	-	-	-	-	-	-	390.530	23.871	38.652	1.226	-	-	-	-	-	-	250.483	203.796	454.279	
Manufacturing Industry	-	-	232.935	-	-	-	11.410.574	2.085.729	369.386	87.443	-	-	-	-	-	-	6.857.675	7.328.392	14.186.067	
Electric, Gas and Water	-	-	-	-	-	-	788.698	32.831	24.055	172	-	-	-	-	-	-	353.260	492.496	845.756	
Construction	-	-	-	-	-	-	4.081.413	892.080	577.461	107.024	-	-	-	-	-	-	4.193.742	1.464.236	5.657.978	
Services	8.707.427	-	34.752	-	-	-	5.068.505	8.238.272	2.582.413	908.330	61.320	104.158	-	-	-	-	12.534.325	13.170.852	25.705.177	
Wholesale and Retail Trade	-	-	216	-	-	-	4.208.885	2.014.549	557.651	53.714	-	-	-	-	-	-	5.448.425	1.386.590	6.835.015	
Hotel Food and Beverage Services	-	-	-	-	-	-	270.435	66.012	40.872	435	-	-	-	-	-	-	184.589	193.165	377.754	
Transportation and Telecommunication	-	-	-	-	-	-	1.056.587	140.483	21.772	1.012	-	-	-	-	-	-	286.709	933.145	1.219.854	
Financial Institutions	8.707.427	-	-	-	-	-	5.068.505	604.869	5.252	11.100	-	104.158	-	-	-	-	4.464.022	10.037.289	14.501.311	
Real Estate and Leasing Services	-	-	20.836	-	-	-	1.696.450	263.628	211.819	4.441	-	-	-	-	-	-	1.795.336	401.838	2.197.174	
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Education Services	-	-	-	-	-	-	48.585	19.292	52.394	1.717	-	-	-	-	-	-	100.566	21.422	121.988	
Health and Social Services	-	-	13.700	-	-	-	352.461	73.197	12.722	1	-	-	-	-	-	-	254.678	197.403	452.081	
Other	-	-	-	-	-	-	488.863	584.709	2.432.016	395	-	-	-	-	-	-	584.743	3.137.322	953.404	
Total	8.707.427	-	267.687	-	-	-	5.068.505	25.597.228	6.336.500	4.369.500	258.566	104.158	-	-	-	-	584.743	27.585.564	23.708.750	51.294.314

Prepared with the numbers after conversion rate to credit and before Credit Risk Reduction.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### Analysis of maturity-bearing exposures according to remaining maturities:

Current Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications:</b>					
Conditional and unconditional exposures to central governments or central banks	8.899.329	1.429.944	28.463	508.003	5.993.582
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	39.525	33	142	155.059	109.080
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	2.800.637	181.281	10.233	13.650	5.442
Conditional and unconditional exposures to corporates	1.535.508	2.598.258	5.982.023	6.065.324	20.919.858
Conditional and unconditional retail exposures	206.877	536.057	887.531	1.375.218	5.977.330
Conditional and unconditional exposures secured by real estate property	35.542	211.487	218.071	350.360	5.609.510
Past due receivables	257.585	-	-	-	-
Receivables defined in high risk category by BRSA	63.830	26	-	-	13.861
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Investments in Equity Instruments	1.250.969	-	-	-	-
<b>Grand Total</b>	<b>15.089.802</b>	<b>4.957.086</b>	<b>7.126.463</b>	<b>8.467.614</b>	<b>38.628.663</b>

It is prepared by using the figures after KRA and before Credit Risk Reduction.

Prior Period	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications:</b>					
Conditional and unconditional exposures to central governments or central banks	3.347.758	165.173	157.858	725.478	4.311.160
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	20.047	158.642	20.955	68.043
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4.870.053	181.554	11.422	-	5.476
Conditional and unconditional exposures to corporates	1.043.046	1.604.856	1.118.030	2.293.553	19.537.743
Conditional and unconditional retail exposures	359.541	166.441	257.891	515.412	5.037.215
Conditional and unconditional exposures secured by real estate property	21.354	49.906	66.697	259.680	3.971.863
Past due receivables	258.566	-	-	-	-
Receivables defined in high risk category by BRSA	104.158	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Investments in Equity Instruments	584.743	-	-	-	-
<b>Grand Total</b>	<b>10.589.219</b>	<b>2.187.977</b>	<b>1.770.540</b>	<b>3.815.078</b>	<b>32.931.500</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

###### Analysis of maturity-bearing exposures according to remaining maturities (Continued)

For the foreign banks, the ratings of the Fitch Ratings International Rating Agency is used for determining the risk weights for the risk classes by using a rating grade from the risk classes specified in Article 6 of the Regulation on Measurement and Evaluation of Capital Adequacy of Banks. While the international rating score is taken into consideration for the entire risk class receivables from central governments or central banks, the ratings of the Islamic International Rating Agency (IIRA) are used. The country risk classification published by the Organization for Economic Cooperation and Development (OECD) is taken as basis for unclassified central government and central banks. The counterparties residing domestically are accepted as "Gradeless" and take the risk weight which is appropriate for the "Gradeless" category in the related risk class.

Rating Grades;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Governments
3. Receivables from Administrative Units and Non-Commercial Enterprises
4. Receivables from Banks and Intermediary Institutions are used in risk classes.

In the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Initiatives, the grade given by Fitch Ratings International Rating corresponds to the credit quality level 3. The grades used in the Credit from Banks and Intermediary Institutions risk class match with all credit quality levels from 1 to 6.

In order to determine the risk weight of regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating.

###### Exposures by risk weights:

Current Period													Deductions from Equity
	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1	Exposures before Credit Risk Mitigation	20.410.304	-	2.863.858	3.438.597	3.440.949	8.978.381	38.089.163	78.047	-	-	-	257.830
2	Exposures after Credit Risk Mitigation	23.673.373	-	3.612.076	3.438.597	3.977.651	7.046.629	35.472.926	78.047	-	-	-	257.830

Prepared with the numbers after conversion rate to credit.

Prior Period													Deductions from Equity
	Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	
1	Exposures before Credit Risk Mitigation	11.202.029	-	5.288.936	2.650.350	2.001.044	6.336.500	26.206.249	104.501	-	-	-	182.620
2	Exposures after Credit Risk Mitigation	15.629.854	-	5.779.142	2.650.350	2.501.787	3.633.282	23.490.693	104.501	-	-	-	182.620

Prepared with the numbers after conversion rate to credit.

###### Information in terms of major sectors and type of counterparties:

**Impaired Loans** These are loans that are overdue for more than 90 days as of the end of the reporting period or are deemed to be impaired due to their credibility. For these loans, the "Expected Credit Loss" (Third Stage) calculation is made within the scope of TFRS

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### Information in terms of major sectors and type of counterparties (Continued)

**Non-Performing Loans;** Loans that are overdue up to 90 days as of the end of the reporting period, but are not impaired. For these loans, "Expected Credit Loss" (Second Stage) calculation is made within the scope of TFRS 9.

Current Period 31.12.2021	Loans		Provisions
	Significant Increase in Credit Risk (Stage 2)	Impaired (TFRS 9) Non-performing loans (Stage 3)	
<b>Agriculture</b>	17.796	26.015	21.555
Farming and Stockbreeding	14.784	19.738	17.214
Forestry	3.012	5.822	3.922
Fishery	-	455	419
<b>Manufacturing</b>	657.238	563.405	537.580
Mining and Quarrying	132.450	13.290	34.405
Production	524.788	545.626	499.178
Electricity, Gas and Water	-	4.489	3.997
<b>Construction</b>	871.192	548.207	479.480
<b>Services</b>	701.955	555.593	462.575
Wholesale and Retail Trade	248.013	467.435	380.130
Accommodation and Dining	14.427	2.561	6.658
Transportation and Telecom.	26.012	44.495	32.946
Financial Institutions	124.897	5.146	4.531
Real Estate and Rental Services	192.190	23.503	26.596
Professional Services	342	174	97
Educational Services	5.781	125	160
Health and Social Services	90.293	12.154	11.457
<b>Other</b>	49.427	5.756	5.491
<b>Total</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>1.506.681</b>

Prior Period 31.12.2020	Loans		Provisions
	Significant Increase in Credit Risk (Stage 2)	Impaired (TFRS 9) Non-performing loans (Stage 3)	
<b>Agriculture</b>	13.807	18.201	16.964
Farming and Stockbreeding	13.807	13.518	13.489
Forestry	-	3.815	2.760
Fishery	-	868	715
<b>Manufacturing</b>	685.651	497.187	416.676
Mining and Quarrying	107.655	15.971	35.716
Production	577.996	475.769	377.024
Electricity, Gas and Water	-	5.447	3.936
<b>Construction</b>	212.835	404.887	268.168
<b>Services</b>	834.792	256.344	318.380
Wholesale and Retail Trade	702.366	185.849	253.685
Accommodation and Dining	9.615	2.782	1.933
Transportation and Telecom.	12.656	29.489	28.207
Financial Institutions	4.719	-	50
Real Estate and Rental Services	58.429	30.441	24.888
Professional Services	632	502	268
Educational Services	3.714	52	128
Health and Social Services	42.661	7.229	9.221
<b>Other</b>	4.619	4.439	4.720
<b>Total</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>1.024.908</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CREDIT RISK (Continued)

##### Information about Value Adjustment and Change in Provisions:

Current Period (*) 31.12.2021		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	788.843	636.218	(87.349)	-	1.337.712
2	Stage 1 and 2 Provisions	364.383	256.117	(223.316)	-	397.184

Prior Period (*) 31.12.2020		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	467.773	434.862	(113.792)	-	788.843
2	Stage 1 and 2 Provisions	106.073	307.281	(48.971)	-	364.383

(\*) Provisions for expected losses allocated for financial lease receivables are included.

The table below shows the maximum credit sensitivity of the financial statement items.

	Current Period 31.12.2021	Prior Period 31.12.2020
Financial Assets at Fair Value Through Profit / Loss	1.795.316	980.872
Banks	3.350.140	4.799.768
Money Markets Receivables	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	8.579.158	5.145.732
Financial Assets Measured at Amortised Cost	1.327.957	779.437
Loans Given	56.853.656	38.223.417
Financial lease receivables	9.546.264	5.136.219
Other Assets	17.063.147	7.038.443
<b>Credit risk sensitivity of balance sheet items</b>	<b>98.515.638</b>	<b>62.103.888</b>
Guarantees and Sureties	29.603.465	15.915.770
Commitments	1.146.602	661.597
<b>Credit risk sensitivity of off-balance sheet items</b>	<b>30.750.067</b>	<b>16.577.367</b>
<b>Total credit risk sensitivity</b>	<b>129.265.705</b>	<b>78.681.255</b>

##### Information on credit quality by financial asset class:

	Current Period			Prior Period		
	Not Overdue and Not Impaired	Overdue and Not Impaired	Total	Not Overdue and Not Impaired	Overdue and Not Impaired	Total
<b>Financial Assests</b>						
Banks	3.350.140	-	3.350.140	4.799.768	-	4.799.768
Financial Assets at Fair Value Through Profit / Loss	1.795.316	-	1.795.316	980.872	-	980.872
Loans Given:	64.138.232	2.297.608	66.435.840	40.426.874	1.751.704	42.178.578
Corporate / Entrepreneurial Loans	58.791.156	2.248.184	61.039.340	35.935.620	1.745.593	37.681.213
Personal Loans	5.347.076	49.424	5.396.500	4.491.254	6.111	4.497.365
Specialized Loans	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	8.589.570	-	8.589.570	5.145.732	-	5.145.732
Financial Assets Measured at Amortised Cost	1.327.957	-	1.327.957	779.437	-	779.437

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

##### III. RISKS INCLUDED CAPITAL CAPACITY BUFFER CALCULATIONS

According to the Board decision published by the BRSA, the transactions between banks are not included in the Cyclical Capital Buffer rate calculation. In this context, as of 31 December 2021, the cyclical capital buffer rate formed as a result of the calculations made as a result of the Bank's receivables from abroad other than Banks is 0%. The geographical distribution of receivables from the private sector, which is taken into account in the calculation of the circular capital buffer specific to the bank, is explained in the table below:

Current Period 31.12.2021			
Country	Banking accounts RWA	Trading accounts RWA	Total
Marshall Island	143.164	-	143.164
United Arab Emirates	92.340	-	92.340
Saudi Arabia	1.861	-	1.861
England	283	-	283
Germany	57	-	57
Sudan	38	-	38
Somalia	25	-	25
Egypt	1	-	1
Holland	1	-	1

Prior Period 31.12.2020			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	56.903	-	56.903
Germany	5.256	-	5.256
Saudi Arabia	1.568	-	1.568
England	712	-	712
Egypt	373	-	373
Bulgaria	152	-	152
Northern Cyprus Turkish Republic	100	-	100
France	85	-	85
USA	84	-	84
Senegal	75	-	75
Somalia	69	-	69
Switzerland	56	-	56
Jordan	40	-	40
Norway	2	-	2
Mauritania	-	-	-

##### IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

- a) Whether the Parent Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors:

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. In addition to monitoring the currency risk through the currency risk table created within the scope of the standard method, the "Value at Risk" ("VAR") is calculated for the purpose of monitoring the foreign currency position at the Bank.

Moreover, dealer's positions and limits for foreign exchange transactions are under the authorization of the Board of Directors.

- b) Hedge against foreign exchange debt instruments and net foreign exchange investments by hedging derivative instruments, if material:

None.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

##### IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

###### c) Foreign currency risk policy:

Periodic "Liquidity Gap Analysis" is performed to determine the liquidity risks in the most important foreign currencies in which the Parent Bank operates, the US Dollar and Euro. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders' Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

###### d) Current foreign exchange bid rates of the Group for the last 5 business days prior to the financial statement date:

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
31.12.2021	12,9950	14,7400	9,3871	1,9721	1,4250	14,1877	10,1357	1,4639	17,5625	3,4349	11,1800
30.12.2021	12,9291	14,6498	9,3485	1,9605	1,4237	14,1220	10,0133	1,4613	17,4657	3,4175	11,1210
29.12.2021	12,4830	14,1655	9,0011	1,8959	1,3746	13,6168	9,6467	1,4126	16,8243	3,2991	10,7690
28.12.2021	11,7016	13,2284	8,4342	1,7703	1,2841	12,7227	9,0513	1,3224	15,7349	3,0919	10,0880
27.12.2021	11,2286	12,7196	8,0743	1,7021	1,2259	12,2071	8,6753	1,2620	15,0764	2,9672	9,6880
24.12.2021	11,3500	12,8514	8,1582	1,7197	1,2364	12,3217	8,7663	1,2764	15,2111	2,9996	9,8240

###### e) Simple arithmetic average of the Parent Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
13,5260	15,2897	9,6293	2,0460	1,4799	14,6615	10,4666	1,4986	17,9932	3,5771	11,7700

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

##### Information on the foreign currency risk of the Group

	EUR	USD	Other FC (***)	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	4.122.307	6.317.891	1.784.280	12.224.478
Banks	490.489	1.464.457	1.385.547	3.340.493
Financial assets at fair value through profit and loss (****)	-	-	1.795.316	1.795.316
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	221.737	3.548.021	-	3.769.758
Loans (*)	15.220.383	14.751.480	-	29.971.863
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	1.327.957	-	-	1.327.957
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	874	874
Intangible assets	-	-	-	-
Other assets	35.376	5.515	24.228	65.119
<b>Total assets</b>	<b>21.418.249</b>	<b>26.087.364</b>	<b>4.990.245</b>	<b>52.495.858</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	13.334	1.393	158	14.885
Current and participation accounts FC	16.992.415	26.184.191	5.027.650	48.204.256
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.196.718	491.333	-	1.688.051
Marketable securities issued	1.314.363	-	-	1.314.363
Miscellaneous Payables	736.097	490.967	1.206	1.228.270
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-
Other liabilities (****)	323.342	127.550	6.637	457.529
<b>Total liabilities</b>	<b>20.576.269</b>	<b>27.295.434</b>	<b>5.035.651</b>	<b>52.907.354</b>
<b>Net balance sheet position</b>	<b>841.980</b>	<b>(1.208.070)</b>	<b>(49.509)</b>	<b>(415.599)</b>
<b>Net off-balance sheet position (**)</b>	<b>(858.141)</b>	<b>1.188.203</b>	<b>158.937</b>	<b>488.999</b>
Financial derivative assets	979	1.374.457	180.259	1.555.695
Financial derivative liabilities	859.120	186.254	21.322	1.066.696
<b>Net position</b>	<b>(16.161)</b>	<b>(19.867)</b>	<b>109.428</b>	<b>73.400</b>
<b>Non cash loans</b>	<b>10.787.955</b>	<b>9.938.002</b>	<b>606.336</b>	<b>21.332.293</b>
<b>Prior Period</b>				
Total assets	10.223.142	12.567.310	3.308.730	26.099.182
Total liabilities	9.283.270	11.228.570	3.235.828	23.747.668
<b>Net balance sheet position</b>	<b>939.872</b>	<b>1.338.740</b>	<b>72.902</b>	<b>2.351.514</b>
<b>Net off-balance sheet position</b>	<b>(1.089.668)</b>	<b>(1.414.557)</b>	<b>(227)</b>	<b>(2.504.452)</b>
Financial derivative assets	-	1.068.995	59.008	1.128.003
Financial derivative liabilities	1.089.668	2.483.552	59.235	3.632.455
<b>Net Position</b>	<b>(149.796)</b>	<b>(75.817)</b>	<b>72.675</b>	<b>(152.938)</b>
<b>Non-cash loans</b>	<b>5.489.608</b>	<b>3.480.241</b>	<b>106.639</b>	<b>9.076.488</b>

(\*) Foreign currency indexed loans amounting to TL 234.136, which are displayed as TL in the unconsolidated financial statements, are shown with the relevant foreign currency code. Includes receivables from lease transactions.

(\*\*) Shows net receivables and debts from derivative financial instruments.

(\*\*\*) The currencies in the other FC column of the assets section consist of 91% Gold, 2% GBP, and the remaining 7% other currencies. The currencies in the FC column of liabilities section consist of %93 Gold, 2% GBP, and the remaining 5% other currencies.

(\*\*\*\*) Provisions, lease liabilities and subordinated loans are included.

(\*\*\*\*\*) Includes subordinated loan balance.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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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. 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 credit risk standard method, stock investments in the banking accounts are 10.412 TL, all of which are 100% risk weight (31 December 2020: 10.412).

**VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT  
AND LIQUIDITY COVERAGE RATIO**

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs Remaining Maturity Analysis for the observation of the maturity structure of the balance sheet, Liquidity Gap Analysis for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The main subject of the liquidity stress test is "Sudden Participation Fund Draws" and "Exchange Rate Changes". Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA weekly on consolidated basis and monthly on consolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation. Liquidity Coverage Ratio is above the limit value specified in the regulation.

Also on the purpose of the liquidity risk management, risk limits and threshold determined as a part of risk appetite and daily monitored.

**1) Liquidity Risk**

**a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:**

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. For this reason, the assets and liabilities of the Bank are compatible with the dividend rates.

The Parent Bank, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergencies in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)****VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT  
AND LIQUIDITY COVERAGE RATIO (Continued)****1) Liquidity Risk (Continued)****b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

**c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

**d) Evaluation of the banks cash flow rates and its sources:**

The Parent Bank's main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

**2. Liquidity coverage ratio**

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the banks' net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers.

The lowest and highest Liquidity Coverage Ratios in the fourth quarter of 2020 are listed in the table below.

<b>Current Period</b>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>
TL+FC	179,34	04.12.2021	118,22	28.11.2021
FC	318,18	07.10.2021	171,58	26.12.2021

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2. Liquidity coverage ratio(Continued)

Derivative transactions are included in calculation of the liquidity coverage ratio over the cash flows within the 30 day basis time slots.

Current Period 31.12.2021	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High quality liquid assets	-	-	17.594.152	13.543.501
<b>CASH OUTFLOWS</b>				
Real person deposits and retail deposits	26.004.269	17.680.042	2.647.321	1.872.238
Stable deposit	3.221.765	-	161.088	-
Deposit with low stability	22.782.504	17.680.042	2.486.233	1.872.238
Unsecured debts except real person deposits and retail deposits	25.036.847	13.724.284	13.254.580	6.667.792
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	25.036.847	13.724.284	13.254.580	6.667.792
Secured debts	-	-	-	-
Other cash outflows	27.916.380	18.602.344	2.599.251	2.008.355
Derivative liabilities and margin obligations	1.726.582	923.811	1.051.655	923.811
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	715.848	845.134	273.898	242.874
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off- balance sheet liabilities	25.473.950	16.833.399	1.273.698	841.670
<b>TOTAL CASH OUTFLOW</b>	-	-	<b>18.501.152</b>	<b>10.548.385</b>
<b>CASH INFLOWS</b>				
Secured receivables	-	-	-	-
Unsecured claims	7.163.737	4.336.075	5.147.453	3.726.860
Other cash inflows	1.130.684	883.069	1.130.684	883.069
<b>TOTAL CASH INFLOWS</b>	<b>8.294.421</b>	<b>5.219.144</b>	<b>6.278.137</b>	<b>4.609.929</b>
Applied maximum rate values				
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	-	-	<b>17.594.152</b>	<b>13.543.501</b>
<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>12.223.016</b>	<b>5.938.456</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>144</b>	<b>228</b>

(\*) 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 OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2) Liquidity Coverage Ratio (Continued)

Prior Period 31.12.2020	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>				
High quality liquid assets	-	-	10.264.831	6.800.303
<b>CASH OUTFLOWS</b>				
Real person deposits and retail deposits	18.045.333	11.702.096	1.848.015	1.255.054
Stable deposit	2.553.057	-	127.653	-
Deposit with low stability	15.492.276	11.702.096	1.720.362	1.255.054
Unsecured debts except real person deposits and retail deposits	22.978.598	8.224.931	13.838.433	3.631.821
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	22.978.598	8.224.931	13.838.433	3.631.821
Secured debts	-	-	-	-
Other cash outflows	17.605.327	10.384.977	1.991.486	1.566.757
Derivative liabilities and margin obligations	1.599.722	1.013.755	1.078.820	1.013.755
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	331.042	426.882	128.937	105.785
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	15.674.563	8.944.340	783.729	447.217
<b>TOTAL CASH OUTFLOW</b>	-	-	<b>17.677.934</b>	<b>6.453.632</b>
<b>CASH INFLOWS</b>				
Secured receivables	-	-	-	-
Unsecured claims	5.893.623	4.030.512	4.636.918	3.650.757
Other cash inflows	1.130.147	921.105	1.130.147	921.105
<b>TOTAL CASH INFLOWS</b>	<b>7.023.770</b>	<b>4.951.617</b>	<b>5.767.065</b>	<b>4.571.862</b>
Applied maximum rate values				
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	-	-	<b>10.264.831</b>	<b>6.800.303</b>
<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>11.910.869</b>	<b>1.881.770</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>86</b>	<b>361</b>

(\*) The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2) Liquidity Coverage Ratio (Continued)

##### Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
<b>Current Period 31.12.2021</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	5.808.237	9.481.258	-	-	-	-	-	15.289.495
Banks <sup>(*)</sup>	2.249.735	1.100.117	-	-	-	-	-	3.349.852
Financial Assets at Fair Value Through Profit and Loss	-	-	612.426	-	1.182.890	-	-	1.795.316
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	124.305	1.656.451	1.050.402	5.705.679	42.321	10.412	8.589.570
Loans Given	-	324.624	4.138.241	14.441.355	35.307.502	11.826.934	361.264	66.399.920
Financial Assets Measured at Amortised Cost	-	-	-	-	1.327.957	-	-	1.327.957
Other Assets	-	-	-	-	-	-	1.763.528	1.763.528
<b>Total Assets</b>	<b>8.057.972</b>	<b>11.030.304</b>	<b>6.407.118</b>	<b>15.491.757</b>	<b>43.524.028</b>	<b>11.869.255</b>	<b>2.135.204</b>	<b>98.515.638</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.148.811	522.614	-	-	-	-	-	4.671.425
Current and Participation Accounts	17.456.658	32.284.538	20.244.406	3.177.442	99.328	-	-	73.262.372
Funds Provided from Other Financial Instruments	-	686.960	382.310	439.193	499.506	-	-	2.007.969
Money Market Borrowings	-	3.784.645	-	-	-	-	-	3.784.645
Issued Marketable Securities <sup>(***)</sup>	-	1.147.180	2.508.524	704.318	2.655.863	-	-	7.015.885
Miscellaneous Payables	-	-	-	-	-	-	1.431.779	1.431.779
Other Liabilities	-	-	-	-	-	-	6.341.563	6.341.563
<b>Total Liabilities</b>	<b>21.605.469</b>	<b>38.425.937</b>	<b>23.135.240</b>	<b>4.320.953</b>	<b>3.254.697</b>	<b>-</b>	<b>7.773.342</b>	<b>98.515.638</b>
<b>Liquidity Gap</b>	<b>(13.547.497)</b>	<b>(27.395.633)</b>	<b>(16.728.122)</b>	<b>11.170.804</b>	<b>40.269.331</b>	<b>11.869.255</b>	<b>(5.638.138)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(3.836)</b>	<b>(84.902)</b>	<b>8.979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(79.759)</b>
Receivables From Derivative Financial Instruments	-	813.655	746.424	35.534	-	-	-	1.595.613
Financial Derivative Liabilities	-	817.491	831.326	26.555	-	-	-	1.675.372
<b>Non-Cash Loans</b>	<b>3.768.083</b>	<b>1.938.193</b>	<b>3.436.270</b>	<b>14.190.205</b>	<b>5.433.522</b>	<b>837.192</b>	<b>-</b>	<b>29.603.465</b>

(\*) The expected loss provisions for financial assets and other assets are reflected in the related accounts.

(\*\*) From the active accounts that make up the balance sheet, other assets that are required for the continuation of banking activities and that do not have the opportunity to turn into cash in a short time, such as securities representing the share in the capital and fixed assets, subsidiaries, subsidiaries, jointly controlled partnerships, stocks, prepaid expenses and net NPLs. accounts; among the liability accounts that make up the balance sheet, other liability accounts such as non-debt provisions and total equity are shown in this column.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

(\*\*\*\*) Includes receivables from lease transactions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2) 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>Prior Period 31.12.2020</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(*)	640.288	4.833.974	-	-	-	-	-	5.474.262
Banks(*)	4.043.012	756.674	-	-	-	-	-	4.799.686
Financial Assets at Fair Value Through Profit and Loss	-	3.006	90.527	527.039	360.300	-	-	980.872
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	28.342	649.154	911.323	3.546.501	-	10.412	5.145.732
Loans Given	-	1.292.151	2.642.589	7.672.789	22.264.432	7.942.234	392.215	42.206.410
Financial Assets Measured at Amortised Cost	-	-	-	-	779.437	-	-	779.437
Other Assets(**)	-	-	-	-	-	-	800.497	800.497
<b>Total Assets</b>	<b>4.683.300</b>	<b>6.914.147</b>	<b>3.382.270</b>	<b>9.111.151</b>	<b>26.950.670</b>	<b>7.942.234</b>	<b>1.203.124</b>	<b>60.186.896</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.554.961	-	6.934	-	-	-	-	4.561.895
Current and Participation Accounts	7.445.184	25.764.602	6.452.479	2.113.970	47.920	-	-	41.824.155
Funds Provided from Other Financial Instruments	-	147.376	195.418	512.433	533.382	38.005	-	1.426.614
Money Market Borrowings	-	2.101.073	-	-	-	-	-	2.101.073
Issued Marketable Securities	-	864.472	2.552.733	600.045	1.080.526	-	-	5.097.776
Other Liabilities(***)	-	-	-	-	-	-	5.175.383	5.175.383
<b>Total Liabilities</b>	<b>12.000.145</b>	<b>28.877.523</b>	<b>9.207.564</b>	<b>3.226.448</b>	<b>1.661.828</b>	<b>38.005</b>	<b>5.175.383</b>	<b>60.186.896</b>
<b>Liquidity Gap</b>	<b>(7.316.845)</b>	<b>(21.963.376)</b>	<b>(5.825.294)</b>	<b>5.884.703</b>	<b>25.288.842</b>	<b>7.904.229</b>	<b>(3.972.259)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>28.293</b>	<b>(14.906)</b>	<b>838</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.225</b>
Receivables From Derivative Financial Instruments	-	3.090.778	548.603	8.631	-	-	-	3.648.012
Financial Derivative Liabilities	-	3.062.485	563.509	7.793	-	-	-	3.633.787
<b>Non-Cash Loans</b>	<b>2.405.872</b>	<b>691.439</b>	<b>1.632.493</b>	<b>6.099.552</b>	<b>4.733.595</b>	<b>352.819</b>	<b>-</b>	<b>15.915.770</b>

(\*) The expected loss provisions for financial assets and other assets are reflected in the related accounts.

(\*\*) From the active accounts that make up the balance sheet, other assets that are required for the continuation of banking activities and that do not have the opportunity to turn into cash in a short time, such as securities representing the share in the capital and fixed assets, subsidiaries, subsidiaries, jointly controlled partnerships, stocks, prepaid expenses and net NPLs. accounts; among the liability accounts that make up the balance sheet, other liability accounts such as non-debt provisions and total equity are shown in this column.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

(\*\*\*\*) Includes receivables from lease transactions.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)

##### 2) Liquidity Coverage Ratio (Continued)

##### Presentation of liabilities according to their remaining maturities

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Banks special current account and participation accounts	4.671.425	-	-	-	-	4.671.425
Other special current account and participation accounts	49.741.196	20.244.406	3.177.442	99.328	-	73.262.372
Funds borrowed from other financial institutions	686.960	382.310	439.193	499.506	-	2.007.969
Funds borrowed from Interbank money market	3.784.645	-	-	-	-	3.784.645
<b>Total</b>	<b>58.884.226</b>	<b>20.626.716</b>	<b>3.616.635</b>	<b>598.834</b>	<b>-</b>	<b>83.726.411</b>
<b>Prior Period</b>						
Banks special current account and participation accounts	4.554.961	6.934	-	-	-	4.561.895
Other special current account and participation accounts	33.209.786	6.452.479	2.113.970	47.920	-	41.824.155
Funds borrowed from other financial institutions	147.376	195.418	512.433	533.382	38.005	1.426.614
Funds borrowed from Interbank money market	2.101.073	-	-	-	-	2.101.073
<b>Total</b>	<b>40.013.196</b>	<b>6.654.831</b>	<b>2.626.403</b>	<b>581.302</b>	<b>38.005</b>	<b>49.913.737</b>

#### VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 31 December 2021, the leverage ratio of the Group's calculated from the average of three months is 4,25% (31 December 2020: 5,65%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as 3%.

Leverage ratio disclosure as follows:

	Current Period (*) 31.12.2021	Prior Period 31.12.2020
<b>Balance sheet assets</b>		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	88.461.224	58.662.572
(Assets deducted from main capital)	(390.397)	(176.435)
Assets deducted from main capital	88.070.827	58.486.137
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	7.765	22.027
Potential credit risk amount of derivative financial instruments and credit derivatives	12.518	21.256
Total risk amount of derivative financial instruments and credit derivative	20.283	43.283
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	572.242	145.965
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	572.242	145.965
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	28.932.751	16.834.815
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	28.932.751	16.834.815
<b>Equity and total risk</b>		
Main capital	4.966.673	4.267.519
Total risk amount	117.596.102	75.501.505
<b>Leverage ratio</b>		
Leverage ratio %	4,25	5,65

(\*) Three month average of the amounts in the table are taken into account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
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(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)**

**VIII. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the "Communiqué On Disclosures About Risk Management to be Announced To Public By Banks" that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based ("IRB") have not been presented.

Within the scope of risk management, there are many risks that affect the Bank's financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of the Bank and is aimed to respond to customers' financial needs in the most appropriate way and to support their financial success. In this context, business practices and working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in the Bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 1. Explanations on Risk Management and Risk-Weighted Assets

##### a) Overview of Risk-Weighted Assets

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period 31.12.2021	Prior Period 31.12.2020	Current Period 31.12.2021
1	Credit risk (excluding counterparty credit risk)	44.767.571	29.650.611	3.581.406
2	Standardized approach	44.767.571	29.650.611	3.581.406
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	42.244	131.015	3.380
5	Standardized approach for counterparty credit risk	42.244	131.015	3.380
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	343.323	290.659	27.466
17	Standardized approach	343.323	290.659	27.466
18	Internal model approaches	-	-	-
19	Operational risk	2.988.826	1.831.724	239.106
20	Basic indicator approach	2.988.826	1.831.724	239.106
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>48.141.964</b>	<b>31.904.009</b>	<b>3.851.358</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 2. Connections Between Financial Statements and the Risk Amounts

##### a) Differences between accounting consolidation and legal consolidation and matching of the subject

Current Period 31.12.2021	Valued amount according to TAS within legal consolidation <sup>(*)</sup>	Subject to credit risk framework	Subject to counterparty credit risk framework	Carrying values of items	
				Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and Balances at Central Bank	15.289.207	15.289.207	-	12.224.478	-
Derivative Financial Assets	19.756	-	19.756	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	1.795.316	-	1.795.316	-	-
Banks	3.350.140	3.350.140	-	3.340.493	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	8.589.570	8.589.570	2.986.187	3.769.758	-
Loans and Receivable	56.853.656	56.853.654	-	24.281.583	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	1.327.957	1.327.957	-	1.327.957	-
Investments in Associates (Net)	-	-	-	-	-
Investments in Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables form Leasing Transactions	9.546.264	9.546.264	-	5.456.144	-
Derivative Financial Assets for Hedging Purposes	-	-	-	6.992	-
Tangible Assets (Net)	301.919	301.919	-	874	33.991
Intangible Assets (Net)	223.839	-	-	-	223.839
Investment Properties (Net)	-	-	-	-	-
Tax Asset	301.329	301.329	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	307.881	307.881	-	-	-
Other Assets	608.804	608.804	-	58.127	-
<b>Total Assests</b>	<b>98.515.638</b>	<b>96.476.725</b>	<b>4.801.259</b>	<b>50.466.406</b>	<b>257.830</b>
<b>Liabilities</b>					
Deposits	77.933.797	-	-	48.219.141	-
Derivative Financial Liabilities	71.692	-	-	1.039	-
Funds Borrowed	2.007.969	-	-	1.688.051	-
Money Markets	3.784.645	-	2.498.503	-	-
Securities Issued (Net)	4.360.022	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	2.187.741	-	-	1.266.851	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	194.463	-	-	10	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	647.270	-	-	417.899	-
Tax Liability	350.441	-	-	-	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	2.655.863	-	-	1.314.363	-
Equity	4.321.736	-	-	(24.008)	-
<b>Total Liabilities</b>	<b>98.515.638</b>	<b>-</b>	<b>2.498.503</b>	<b>52.883.346</b>	<b>-</b>

(\*) It represents the Bank's consolidated financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 2. Connections Between Financial Statements and the Risk Amounts (Continued)

##### a) Differences between accounting consolidation and legal consolidation and matching of the subject (Continued)

Prior Period 31.12.2020	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Carrying values of items	
				Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and Balances at Central Bank	5.477.120	5.477.120	-	5.067.541	-
Derivative Financial Assets	28.253	-	28.253	-	-
Financial Assets Measured At Fair Value To Profit Or Loss	980.872	-	980.872	-	-
Banks	4.799.768	4.799.768	-	4.787.374	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	5.142.792	5.142.792	2.235.531	1.378.365	-
Loans and Receivable	37.070.191	37.070.191	-	10.466.219	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	779.437	779.437	-	779.437	-
Investments In Associates (Net)	-	-	-	-	-
Investments In Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables Form Leasing Transactions	5.136.219	5.136.219	-	2.284.842	-
Derivative Financial Assets for Hedging Purposes	-	-	-	9	-
Tangible Assets (Net)	177.964	177.964	-	363	21.363
Intangible Assets (Net)	161.257	-	-	-	161.257
Investment Properties (Net)	-	-	-	-	-
Tax Asset	108.597	108.597	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	75.240	75.240	-	-	-
Other Assets	249.186	249.186	-	35.458	-
<b>Total Assets</b>	<b>60.186.896</b>	<b>59.016.514</b>	<b>3.244.656</b>	<b>24.799.608</b>	<b>182.620</b>
<b>Liabilities</b>					
Deposits	46.386.050	-	-	21.483.588	-
Derivative Financial Liabilities	19.440	-	-	19.440	-
Funds Borrowed	1.426.614	-	-	1.046.528	-
Money Markets	2.101.073	-	2.079.285	-	-
Securities Issued (Net)	4.017.250	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	788.160	-	-	216.629	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	127.634	-	-	15.688	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	409.244	-	-	197.616	-
Tax Liability	96.632	-	-	142	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	1.080.526	-	-	768.037	-
Equity	3.734.273	-	-	(84)	-
<b>Total Liabilities</b>	<b>60.186.896</b>	<b>-</b>	<b>2.079.285</b>	<b>23.747.584</b>	<b>-</b>

(\*) It represents the Bank's consolidated financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 2. Connections Between Financial Statements and the Risk Amounts (Continued)

##### b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements

Current Period 31.12.2021	Total	Subject to credit risk framework	Securitization position	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	98.515.638	96.476.725	-	4.801.259	50.466.406
Liabilities carrying value amount under regulatory scope of consolidation	3.784.645	-	-	2.498.503	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>94.730.993</b>	<b>96.476.725</b>	<b>-</b>	<b>2.302.756</b>	<b>50.466.406</b>
Differences in valuations	34.574.913	30.750.064	-	3.824.849	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Amount of Risk</b>	<b>129.102.760</b>	<b>127.023.645</b>	<b>-</b>	<b>6.127.605</b>	<b>50.466.406</b>

Prior Period 31.12.2020	Total	Subject to credit risk framework	Securitization position	Subject to counterparty credit risk framework	Subject to the market risk framework
Asset carrying value amount under scope of regulatory consolidation	60.186.896	59.016.514	-	3.244.656	24.799.608
Liabilities carrying value amount under regulatory scope of consolidation	2.101.073	-	-	2.079.285	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>58.085.823</b>	<b>59.016.514</b>	<b>-</b>	<b>1.165.371</b>	<b>24.799.608</b>
Differences in valuations	23.859.166	16.422.235	-	7.436.931	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Amount of Risk</b>	<b>81.944.989</b>	<b>75.438.749</b>	<b>-</b>	<b>8.602.302</b>	<b>24.799.608</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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 RISK MANAGEMENT (Continued)****3. Credit Risk Explanations****3.1) General information on credit risk****a) General qualitative information on credit risk**

Effective management of credit risk is one of the important elements of a comprehensive approach to risk management. Corporate, retail and SME loans, financial lease receivables, other elements of bank assets and non-cash transactions, which are provided in connection with the activities of our bank, constitute the basis of the items that constitute credit risk. It is important to take into account the risk appetite of our bank in the activities carried out in this direction, in terms of effective credit risk management.

Credit risk limits; It has been designed in accordance with the risk levels the Bank may take, its activities, the size and complexity of its products and services, and was determined by taking the opinions and suggestions of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly reviewed and monitored periodically, adapted according to changes in market conditions, Bank strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance was reviewed and a policy was created in line with the Bank's strategies and objectives.

Credit risk calculations are made carefully and meticulously and controls are carried out in accordance with the legislation. Currently, calculations are made with the standard method, and infrastructure studies are ongoing for the use of advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit units, and legal requirements are taken into account at every stage.

Detailed reports including the credit risk exposure and its relations with other risks are periodically shared with the Board of Directors and Senior Managers, and the credit risk is effectively monitored by the risk management unit.

**b) Credit quality of assets**

		<b>Defaulted</b>	<b>Non-defaulted</b>	<b>Allowances/Amortisation and impairments</b>	<b>Net values</b>
1	Loans (*)	1.698.976	66.435.840	1.734.896	66.399.920
2	Debt Securities	-	11.834.479	121.631	11.712.848
3	Off-balance sheet exposures	-	30.750.064	29.168	30.720.896
4	<b>Total</b>	<b>1.698.976</b>	<b>109.020.383</b>	<b>1.885.695</b>	<b>108.833.664</b>

(\*) Financial lease amounting to TL 9.546.264 is included in the table.

		<b>Defaulted</b>	<b>Non-defaulted</b>	<b>Allowances/Amortisation and impairments</b>	<b>Net values</b>
1	Loans (*)	1.181.058	42.178.578	1.153.226	42.206.410
2	Debt Securities	-	7.058.197	162.568	6.895.629
3	Off-balance sheet exposures	-	16.577.367	26.708	16.550.659
4	<b>Total</b>	<b>1.181.058</b>	<b>65.814.142</b>	<b>1.342.502</b>	<b>65.652.698</b>

(\*) Financial lease amounting to TL 5.136.219 is included in the table.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.1) General information on credit risk (Continued)

##### c) Changes on defaulted loans and debt securities

1	Defaulted loans and debt securities at end of the previous reporting period	1.181.058
2	Loans and debt securities that have defaulted since the last reporting period	931.114
3	Returned to non-defaulted status	42.558
4	Amounts written off	-
5	Other changes <sup>(*)</sup>	(370.638)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.698.976

1	Defaulted loans and debt securities at end of the previous reporting period	947.102
2	Loans and debt securities that have defaulted since the last reporting period	654.523
3	Returned to non-defaulted status	13.039
4	Amounts written off	-
5	Other changes <sup>(*)</sup>	(407.528)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.181.058

<sup>(\*)</sup> A total of 101.046 TL receivables, which are monitored in the TOA accounts, with full provision, amounting to TL 89.382 and TL 11.664, respectively, were excluded from the unconsolidated and consolidated financial statements based on the transfer agreements of the receivables dated 1 December 2020 and 29 December 2020, respectively.

##### d) Additional explanations on credit quality of assets

##### i. Differences between definitions and explanations of "deferred" receivables and receivables for which "provision was allocated", and definitions of "deferred" and "provision of allocation", if any

The Bank classifies its credits and other receivables and allocates expected loss provisions pursuant to the "Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions" published in the Official Gazette no. 29750 dated 22 June 2016. The term "Deferred Receivables" is used for credits named "Loans under Close Monitoring" whose maturity is deferred for up to 90 days as of the end of period without any impairments as well as for credits named "Non-Performing Loans" whose maturity is deferred for more than 90 days or subject to impairment. In practice, the Bank sets expected credit loss provisions for the stage 1 and stage 2 for credits classified as "Standard Credits" and "Under Close Monitoring" and expected loss provisions for the loans for the stage 3 for credits classified as "Non-Performing Loans".

##### ii. The portion that is not considered within the scope of "allocation of provision" among deferred receivables (over 90 days) and reasons for this practice

The Bank automatically transfers the loans over 90 days past due to the follow-up accounts in accordance with the provisions of the Regulation on Provisions and allocates the provision for the relevant class.

##### iii. Definitions of methods used for determining provision amount

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions". However, there is no provision in the relevant Regulation and the relevant explanations of the BRSA that prevents the provision of more than the minimum amounts required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.1) General information on credit risk (Continued)

##### d) Additional explanations on credit quality of assets (Continued)

##### iv. Definitions of restructured receivable

Real/legal persons using credit, from time to time due to reasons beyond the control of other businesses with which they do business or their own businesses; It may face the usual risks of commercial life such as not being able to reflect excessive increases in costs to sales prices, loss of market and decrease in turnover, unexpected expenses, and problems in the collection of receivables. It is the repayment terms of our businesses that do not have a significant problem in their credit worthiness, that continue their income-generating activities, but cannot or will not be able to make their loan repayments on time due to the temporary liquidity shortage, in accordance with their cash flows.

##### v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets

	Credits		
	Impaired (TFRS 9)		
Current Period 31.12.2021	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions
Domestic	2.297.608	1.698.976	1.734.896
European Union Countries	-	-	-
USA, Canada	-	-	-
OECD Countries	-	-	-
Off-Shore Banking Regions	-	-	-
Other Countries	-	-	-
<b>Total</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>1.734.896</b>

	Credits		
	Impaired (TFRS 9)		
Prior Period 31.12.2020	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions
Domestic	1.751.704	1.181.058	1.153.226
European Union Countries	-	-	-
USA, Canada	-	-	-
OECD Countries	-	-	-
Off-Shore Banking Regions	-	-	-
Other Countries	-	-	-
<b>Total</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>1.153.226</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.1) General information on credit risk (Continued)

##### d) Additional explanations on credit quality of assets (Continued)

##### v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets (Continued)

Current Period 31.12.2021	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	1.032.686	26.015	24.374	1.034.344
Farming and Stockbreeding	642.556	19.738	18.767	643.527
Forestry	341.853	5.822	5.032	342.665
Fishing	48.277	455	575	48.152
Manufacturing	32.521.815	563.405	655.867	32.432.920
Mining and Quarrying	4.366.038	13.290	49.172	4.333.669
Production	26.444.061	545.626	594.411	26.395.333
Electric, Gas and Water	1.711.716	4.489	12.284	1.703.918
Construction	11.154.607	548.207	524.486	11.178.323
Services	16.322.248	555.593	519.657	16.356.922
Wholesale and Retail Trade	11.315.483	467.435	417.620	11.365.128
Hotel Food and Beverage Services	712.079	2.561	10.641	702.905
Transportation and Telecommunication	968.893	44.495	37.413	975.980
Financial Institutions	706.346	5.146	5.396	706.091
Real Estate and Leasing Services	1.866.056	23.503	33.645	1.855.913
Self Employment Services	156.372	174	789	155.760
Education Services	76.614	125	536	76.209
Health and Social Services	520.405	12.154	13.617	518.936
Other	5.404.484	5.756	10.512	5.397.411
<b>Total</b>	<b>66.435.840</b>	<b>1.698.976</b>	<b>1.734.896</b>	<b>66.399.920</b>

Current Period 31.12.2020	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	992.055	18.201	20.991	989.265
Farming and Stockbreeding	704.420	13.518	16.415	701.523
Forestry	265.979	3.815	3.761	266.033
Fishing	21.656	868	815	21.709
Manufacturing	19.279.023	497.187	479.857	19.296.353
Mining and Quarrying	3.405.649	15.971	43.927	3.377.693
Production	15.455.153	475.769	429.492	15.501.430
Electric, Gas and Water	418.221	5.447	6.438	417.230
Construction	11.415.118	404.887	293.953	11.526.052
Services	10.483.535	256.344	356.848	10.387.650
Wholesale and Retail Trade	6.581.978	185.849	274.660	6.493.167
Hotel Food and Beverage Services	351.341	2.782	3.809	350.314
Transportation and Telecommunication	303.608	29.489	33.008	300.089
Financial Institutions	1.201.035	-	1.154	1.199.881
Real Estate and Leasing Services	1.367.910	30.441	31.066	1.367.285
Self Employment Services	87.162	502	1.344	86.320
Education Services	91.006	52	560	90.498
Health and Social Services	499.495	7.229	11.247	495.477
Other	8.847	4.439	5.371	7.915
<b>Total</b>	<b>42.178.578</b>	<b>1.181.058</b>	<b>1.153.226</b>	<b>42.206.410</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.1) General information on credit risk (Continued)

##### d) Additional explanations on credit quality of assets (Continued)

##### vi. Aging analysis for overdue receivables

Current Period 31.12.2021	1 month	1-2 months	2-3 months	3+ months	Total
Loans and Receivables <sup>(1)</sup>	-	-	-	-	-
Corporate / Entrepreneurial Loans	104.883	136.603	28.919	177.844	448.249
Personal Credit	75.326	12.546	8.912	2.720	99.504
<b>Total</b>	<b>180.209</b>	<b>149.149</b>	<b>37.831</b>	<b>180.564</b>	<b>547.753</b>

(\*) The Bank's loan amounting to TL 1.490.386, which is under close monitoring, has no delay.

Prior Period 31.12.2020	1 month	1-2 months	2-3 months	3+ months	Total
Loans and Receivables <sup>(1)</sup>	-	-	-	-	-
Corporate / Entrepreneurial Loans	113.706	33.814	71.938	258.085	477.543
Personal Credit	32.330	7.234	2.143	2.966	44.673
<b>Total</b>	<b>146.036</b>	<b>41.048</b>	<b>74.081</b>	<b>261.051</b>	<b>522.216</b>

(\*) The Bank's loan amounting to TL 692.695 is under close monitoring, has no delay.

##### *Breakdown of restructured receivables by allocation of provision*

Out of the Group's total restructured loans amounting to TL 1.534.480, a portion of TL 1.491.922 consists of performing loans and remaining portion of TL 42.558 consists of non-performing loans. The total amount of first and second stage expected loss provisions allocated for non-performing loans is TL 61.708 and the third stage expected loss provision for non-performing loans is TL 77.224. (31 December 2020: Out of the Group's total restructured loans amounting to TL 875.907, a portion of TL 862.868 consists of performing loans and remaining portion of TL 13.039 consists of non-performing loans. Total first and second stage expected loss provision for structured loans is TL 136.408 and third stage expected loss provision amount allocated for non-performing loans is 38.364.

##### 3.2) Credit risk mitigation

##### a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

In the collateralization transactions related to the lending processes of the Bank, the issues that may pose a risk from now on are taken into consideration. In the bank collateral policy, risks are now managed by taking into account all risks such as failure to seize the received collateral in time or not being able to convert it into cash, refusal or delay of payment by the guarantor, failure of credit documents whose legal validity has not been sufficiently investigated to achieve the desired legal result.

Transactions carried out by the Bank within the scope of market risk are not subject to collateral.

Financial collaterals are taken into consideration in credit risk mitigation in the Bank, and real estate mortgages are not considered as collateral as a rule. Mortgage-backed receivables are a separate risk class, and the financial collaterals used in the Bank consist of cash blockage, loan guarantee fund and assignment of arising public receivables.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.2) Credit risk mitigation (Continued)

##### b) Credit risk mitigation techniques – Overview

Current Period 31.12.2021	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans (*)	52.412.531	4.780.715	3.720.274	3.009.663	2.536.877	-	-
Debt Securities (*)	10.228.317	-	-	-	-	-	-
<b>Total</b>	<b>62.640.848</b>	<b>4.780.715</b>	<b>3.720.274</b>	<b>3.009.663</b>	<b>2.536.877</b>	<b>-</b>	<b>-</b>
Of which defaulted (*)	1.570.109	-	-	-	-	-	-

(\*) Based on the BRSA's article on "Pandemic Measures Time Extension" dated 08.12.2020, the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date has been used in the calculation of the Credit Risk Subject Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of 9.206.674 Thousand TL in "Loans", 1.484.531 Thousand TL in "Borrowing Instruments" and 128.867 Thousand TL in the "Defaulted" category.

Period 31.12.2020	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	36.296.201	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Debt Securities	6.895.629	-	-	-	-	-	-
<b>Total</b>	<b>43.191.830</b>	<b>5.910.209</b>	<b>4.717.707</b>	<b>4.924.960</b>	<b>4.189.451</b>	<b>-</b>	<b>-</b>
Of which defaulted	1.152.871	-	-	-	-	-	-

(\*) Based on the BRSA's article on "Pandemic Measures Time Extension" dated 08.12.2020, the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date has been used in the calculation of the Credit Risk Subject Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of 1.128.770 Thousand TL in "Loans", 58.371 Thousand TL in "Borrowing Instruments" and 28.187 Thousand TL in the "Defaulted" category.

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach

##### a) Qualitative explanations to be made about the rating grades used by banks when calculating credit risk with a standard approach

The Parent Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Enterprises. Receivables from Banks in the risk class, Fitch Ratings notes are used for Receivables from Resident Banks, and no rating agency notes are used for receivables from domestic resident Banks. While our country grade used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, the notes used in the Receivables from Banks and Intermediary Institutions risk class are from 1 to 6 matched with credit quality tiers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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 RISK MANAGEMENT (Continued)**

**3. Credit Risk Explanations (Continued)**

**3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach**

**b) Standard Approach - Loan risk exposure and the effects of loan risk reduction technique**

	Current Period 31.12.2021	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA amount	RWA density amount
	<b>Risk Classes</b>						
1	Exposures to sovereigns and their central banks	16.859.321	-	19.378.159	17.843	-	0%
2	Exposures to regional and local governments	-	-	18.039	388	9.214	50%
3	Exposures to administrative bodies and non-commercial entities	259.913	165.759	259.913	43.926	300.425	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	2.615.679	403.825	2.615.679	395.564	796.690	26%
7	Exposures to corporates	25.101.279	18.469.122	24.142.247	11.999.030	34.696.911	96%
8	Retail exposures	6.891.139	4.461.177	5.299.430	2.088.169	5.321.772	72%
9	Exposures secured by residential property	3.412.489	51.391	3.412.489	26.108	1.203.509	35%
10	Exposures secured by commercial property	2.620.264	685.693	2.620.264	366.110	1.493.187	50%
11	Past-due items	257.585	-	257.585	-	147.146	57%
12	Exposures in high-risk categories	77.691	51	77.691	26	116.575	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	1.755.444	-	1.250.969	-	682.142	55%
17	Equity share investments	-	-	-	-	-	0%
18	<b>Total</b>	<b>59.850.804</b>	<b>24.237.018</b>	<b>59.332.464</b>	<b>14.937.164</b>	<b>44.767.571</b>	<b>60%</b>

	Prior Period 31.12.2020	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On- balance sheet amount	Off- balance sheet amount	On- balance sheet amount	Off- balance sheet amount	RWA amount	RWA density amount
	<b>Risk Classes</b>						
1	Exposures to sovereigns and their central banks	8.707.427	-	12.870.880	23.363	-	0%
2	Exposures to regional and local governments	-	-	25.999	5.815	15.907	50%
3	Exposures to administrative bodies and non-commercial entities	264.828	5.784	264.828	2.858	266.044	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	5.024.106	62.368	5.024.106	44.399	1.025.480	20%
7	Exposures to corporates	16.970.986	12.490.186	15.275.823	8.613.143	23.153.759	97%
8	Retail exposures	5.076.333	2.581.421	2.582.045	1.244.087	2.746.074	72%
9	Exposures secured by residential property	2.624.630	47.664	2.624.630	25.720	927.622	35%
10	Exposures secured by commercial property	1.481.948	402.902	1.481.948	237.202	859.575	50%
11	Past-due items	258.567	-	258.567	-	174.139	67%
12	Exposures in high-risk categories	104.158	-	104.158	-	156.237	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	584.743	-	584.743	-	325.774	56%
17	Equity share investments	-	-	-	-	-	0%
18	<b>Total</b>	<b>41.097.726</b>	<b>15.590.325</b>	<b>41.097.727</b>	<b>10.196.587</b>	<b>29.650.611</b>	<b>58%</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach (Continued)

##### c) Standard Approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/ Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% <sup>(*)</sup>	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	19.396.002	-	-	-	-	-	-	-	-	-	-	19.396.002
Exposures to regional and local government	-	-	-	-	-	18.427	-	-	-	-	-	18.427
Exposures to administrative bodies and non-commercial entities	3.414	-	-	-	-	-	-	300.425	-	-	-	303.839
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	2.700.494	-	-	108.315	-	202.434	-	-	-	3.011.243
Exposures to corporates	547.254	-	727.310	-	-	630.527	-	34.236.187	-	-	-	36.141.278
Retail exposures	175.496	-	160.840	-	-	-	7.046.629	4.635	-	-	-	7.387.600
Exposures secured by residential property	-	-	-	3.438.597	-	-	-	-	-	-	-	3.438.597
Exposures secured by commercial property	-	-	-	-	2.986.373	-	-	-	-	-	-	2.986.373
Past-due items	222	-	35	-	-	220.378	-	36.950	-	-	-	257.585
Exposures in high-risk categories	-	-	-	-	-	-	-	-	77.717	-	-	77.717
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	568.826	-	-	-	-	-	-	682.142	-	-	-	1.250.968
<b>Total</b>	<b>20.691.214</b>	<b>-</b>	<b>3.588.679</b>	<b>3.438.597</b>	<b>2.986.373</b>	<b>977.647</b>	<b>7.046.629</b>	<b>35.462.773</b>	<b>77.717</b>	<b>-</b>	<b>-</b>	<b>74.269.629</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 RISK MANAGEMENT (Continued)

##### 3. Credit Risk Explanations (Continued)

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach (Continued)

##### c) Standard Approach: Receivables related with risk classes and risk weights (Continued)

Prior Period Risk Classes/ Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% (*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	12.894.243	-	-	-	-	-	-	-	-	-	-	12.894.243
Exposures to regional and local government	-	-	-	-	-	31.814	-	-	-	-	-	31.814
Exposures to administrative bodies and non-commercial entities	1.542	-	-	-	-	-	-	266.144	-	-	-	267.686
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	5.029.242	-	-	39.263	-	-	-	-	-	5.068.505
Exposures to corporates	152.069	-	395.853	-	-	532.912	-	22.808.132	-	-	-	23.888.966
Retail exposures	87.286	-	105.564	-	-	-	3.633.282	-	-	-	-	3.826.132
Exposures secured by residential property	-	-	-	2.650.350	-	-	-	-	-	-	-	2.650.350
Exposures secured by commercial property	-	-	-	-	1.719.150	-	-	-	-	-	-	1.719.150
Past-due items	112	-	72	-	-	168.517	-	89.866	-	-	-	258.567
Exposures in high-risk categories	-	-	-	-	-	-	-	-	104.158	-	-	104.158
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	259.071	-	-	-	-	-	-	325.672	-	-	-	584.743
<b>Total</b>	<b>13.394.323</b>	<b>-</b>	<b>5.530.731</b>	<b>2.650.350</b>	<b>1.719.150</b>	<b>772.506</b>	<b>3.633.282</b>	<b>23.489.814</b>	<b>104.158</b>	<b>-</b>	<b>-</b>	<b>51.294.314</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**X. EXPLANATIONS ON RISK PROTECTION PROCEDURES**

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations.

Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors.

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are carried out at the Bank and FX and TL liquidity risk is limited by the transactions performed.

**1) Credit risk under IRB (Internal Rating Based) Approach**

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 31 March 2016, it is given annually and quarterly. The following required tables are not presented as of 31 December 2020 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

IRB - Credit risk amounts based on IRB and Portfolio and PoD (Probability of Default) range

IRB - Effect of credit derivatives used as CRM (Credit Risk Mitigation) technique on RWA (Risk Weighted Amounts)

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

IRB (Specialized loans and stock investments subject to basic risk weight approach)

**XI. COUNTER PARTY CREDIT RISK EXPLANATIONS**

**a) Qualitative explanations on counter party credit risk**

In an attempt to identify the counter party credit risk that the Parent Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

As part of the Parent Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

It is essential that the Parent Bank manages the counter party credit risk level in a manner that keeps it above the minimum limits specified in the legal regulations.

Parent Bank risk measurement system; it takes measures to operate in a reliable and integrity manner compatible with legal regulations, fields of activity and product types, and to maintain it accordingly. In this context, as a minimum, for counter party credit risk measurement and monitoring activities; calculation of counter party credit risk weighted asset amount and legal capital requirement, and monitoring of the Bank's compliance level with regard to allocated limits are carried out.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

##### b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Current Period 31.12.2021	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	17.898	25.585		1,4	43.484	20.129
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.986.187	2.015
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>22.144</b>

(\*) Effective expected positive exposure

	Prior Period 31.12.2020	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	215.028	44.736		1,4	259.764	56.140
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.235.531	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>56.140</b>

(\*) Effective expected positive exposure

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)**

**c) Capital requirement for loan valuation adjustment**

	<b>Current Period 31.12.2021</b>	<b>Exposure at default post-CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	43.484	20.100
4	<b>Total subject to the CVA capital charge</b>	<b>43.484</b>	<b>20.100</b>

	<b>Prior Period 31.12.2020</b>	<b>Exposure at default post-CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)	-	-
2	(ii) Stressed VaR component (including the 3×multiplier)	-	-
3	All portfolios subject to the Standardised CVA capital charge	259.764	74.875
4	<b>Total subject to the CVA capital charge</b>	<b>259.764</b>	<b>74.875</b>

**d) Standardised approach - CCR exposures by risk class and risk weight**

<b>Risk weight /Regulatory portfolio (Current Period))</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>%75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure<sup>(*)</sup></b>
Exposures to sovereigns and their central banks	2.982.159	-	17.279	-	-	-	-	-	3.456
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	6.118	9.601	-	-	-	-	6.024
Exposures to corporates	-	-	-	4.030	-	10.153	-	-	12.169
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	330	-	495
Other exposures	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	<b>2.982.159</b>	<b>-</b>	<b>23.397</b>	<b>13.631</b>	<b>-</b>	<b>10.153</b>	<b>330</b>	<b>-</b>	<b>22.144</b>

(\*) Total credit risk: The amount related to the capital adequacy calculation after applying the counterparty credit risk measurement techniques.

<b>Risk weight /Regulatory portfolio (Current Period))</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>%75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure<sup>(*)</sup></b>
Exposures to sovereigns and their central banks	2.235.531	-	195.301	-	-	-	-	-	39.060
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	53.111	10.132	-	-	-	-	15.688
Exposures to corporates	-	-	-	-	-	877	-	-	877
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	343	-	515
Other exposures	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	<b>2.235.531</b>	<b>-</b>	<b>248.412</b>	<b>10.132</b>	<b>-</b>	<b>877</b>	<b>343</b>	<b>-</b>	<b>56.140</b>

(\*) Total credit risk: The amount related to the capital adequacy calculation after applying the counterparty credit risk measurement techniques.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)**

**e) Risk classes and counterparty credit risk explanation**

None.

**f) Collaterals for CCR**

Current Period 31.12.2021	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2.498.503	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	2.986.187
<b>Total</b>	-	-	-	-	<b>2.498.503</b>	<b>2.986.187</b>

Prior Period 31.12.2020	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2.079.285	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	2.235.531
<b>Total</b>	-	-	-	-	<b>2.079.285</b>	<b>2.235.531</b>

**g) Credit Derivatives**

None.

**h) Risk Weight changes under CCR on the Internal Modeling Management Methods**

None.

**i) Risks Related with Central Counterparties**

None.

**5. Explanations on Securitization Disclosure**

The Bank does not have any securitization positions as of 31 December 2021. (31 December 2020: None).

**6. Explanations on Market Risk**

**a) Qualitative information about market risk to be disclosed to the public**

Within the framework of BRSA's regulations, the Parent Bank ensures effective management of market risk and market concentration risk arising from market risk components, in accordance with the volume, nature and complexity of its activities, taking into account the best practices.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**

**XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)**

**6. Explanations on Market Risk (Continued)**

**a) Qualitative information about market risk to be disclosed to the public (Continued)**

The Parent Bank ensures that measurement, monitoring, limitation, stress test and scenario analysis studies are carried out in accordance with the structure and complexity of its positions regarding market risk management and the results are reported. It is essential that new products and services are evaluated in terms of market risk.

In this context, as a minimum;

- Follow-up of the Parent Bank's accounts and positions subject to market risk and market developments affecting the value of these accounts and positions on a minimum daily basis,
- Amount calculations based on market risk to which the Bank is exposed within the framework of trading accounts,
- Analysis of the effects of up and down normal and extraordinary movements in the markets on the Bank's accounts and positions subject to market risk,
- Backtest analysis of internal models used for monitoring purposes in calculating the amount subject to market risk,
- Regarding market risk, risk limits are regularly calculated and followed up.

In the Parent Bank, the Board of Directors, Audit Committee and the General Manager fulfill their duties, powers and responsibilities within the scope of market risk management within the framework defined in the legislation. All Units, including the Units within the Scope of Internal Systems, fulfill their duties, powers and responsibilities within the scope of market risk management within the framework of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and their own Regulations.

In order to reveal the market risk that the Parent Bank may encounter, it is essential to carry out risk measurement and monitoring activities and to consider the results in the strategic decision-making process of the Bank.

Within the framework of these principles, at least the following analyzes are made for measurement and monitoring activities.

As a minimum within the scope of Market Risk:

- Standard Method: It is made in accordance with the Market Risk Reporting Set statements published by the BRSA.
- Value at Risk Analysis: Historical Simulation is performed using Parametric, Exponentially Weighted Moving Average (EWMA) or a different method deemed appropriate by the Bank.
- Internal Capital Requirement: Parameters determined by the BRSA and / or the Bank that may affect the financial strength of the Bank and the level of capital that will meet the risks the Bank is or may be exposed to, with stress tests and / or scenario analysis related to these parameters, a future perspective It is calculated using appropriate methods.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT  
(Continued)**
**XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)**
**6. Explanations on Market Risk (Continued)**
**b) Standard Approach**

		<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
		<b>RWA</b>	<b>RWA</b>
	<b>Outright products</b>		
1	Profit share rate risk (general and specific)	41.713	118.100
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	281.836	172.559
4	Commodity risk	19.774	-
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
<b>9</b>	<b>Total</b>	<b>343.323</b>	<b>290.659</b>

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the "Communiqué on the Public Disclosures on Risk Management by Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 31 December 2020, as the standard approach is used in the Bank's market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach

Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach

Internal model approach for trading account

Comparison of VaR (Value at Risk) estimates with profit / loss

**7. Explanations on the Operational Risk**

In the Parent Bank, Amount subject to Operational Risk is calculated with Basic Indicator Approach based on yearly. The parameter which determines the amount subject to operational risk in Basic Indicator Approach is gross revenue. Yearly gross revenue is calculated by adding net interest incomes to net fees and commission income, dividend income, trading profit/loss (net) and other operating incomes and also by deducting profit/loss gained from sale of securities monitored out of purchase-sale account, extraordinary incomes, operating expense made against support service and amounts compensated from insurance.

<b>Current Period 31.12.2021</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>31.12.2020</b>	<b>Total/Number of Positive GI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross Income	892.243	1.556.512	2.333.366	1.594.041	15	<b>239.106</b>
Amount Subject to Operational Risk	-	-	-	-	-	<b>2.988.826</b>

<b>Prior Period 31.12.2020</b>	<b>31.12.2017</b>	<b>31.12.2018</b>	<b>31.12.2019</b>	<b>Total/Number of Positive GI years</b>	<b>Ratio (%)</b>	<b>Total</b>
Gross Income	482.004	892.243	1.556.512	976.920	15	<b>146.538</b>
Amount Subject to Operational Risk	-	-	-	-	-	<b>1.831.724</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments".

The Bank operates in retail, corporate / entrepreneurial banking, treasury / investment banking.

#### Table for Segment Reporting:

Current Period 1 January - 31 December 2021	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
Profit Shares Income	549.574	4.721.896	964.827	23.619	6.259.916
Profit Shares from Loans	549.574	4.721.896	-	-	5.271.470
Profit Shares from Banks	-	-	3.070	-	3.070
Profit Shares from Securities	-	-	801.333	-	801.333
Other Profit Shares	-	-	160.424	23.619	184.043
Profit Shares Expense	(1.142.017)	(2.034.310)	(1.534.579)	(34.471)	(4.745.377)
Profit Shares Expense on Participation Funds	(1.142.017)	(2.034.310)	(57.829)	-	(3.234.156)
Profit Shares Expense on Funds Borrowed	-	-	(296.481)	-	(296.481)
Profit Shares Expense on Money Market Transactions	-	-	(570.506)	-	(570.506)
Profit Shares Expense on Securities Issued	-	-	(609.763)	-	(609.763)
Other Profit Shares Expense	-	-	-	(34.471)	(34.471)
Net Profit Shares Income/Expense	(592.443)	2.687.586	(569.752)	(10.852)	1.514.539
Net Fees and Commission Income/Expense	32.988	156.942	-	(42.596)	147.334
Fees and Commissions Received	32.988	156.942	-	42.322	232.252
Fees and Commissions Paid	-	-	-	(84.918)	(84.918)
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	214.813	-	214.813
Other Operating Income	-	542.896	-	8.742	551.638
Provision for Expected Losses	(71.994)	(810.585)	-	(75.983)	(958.562)
Other Provision Expense	-	-	-	(30.041)	(30.041)
Personnel Expenses	-	-	-	(317.383)	(317.383)
Other Operating Expense	-	(10.045)	-	(382.122)	(392.167)
Net Operating Profit/Loss	(631.451)	2.012.834	(354.939)	(296.273)	730.171
Tax Provision	-	-	-	(171.482)	(171.482)
Net Profit/Loss	(631.451)	2.012.834	(354.939)	(467.755)	558.689
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	1.795.316	-	1.795.316
Banks <sup>(*)</sup>	-	-	3.350.140	-	3.350.140
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	8.589.570	-	8.589.570
Loans <sup>(**)</sup>	5.402.018	60.821.448	176.454	-	66.399.920
Financial Assets Measured at Amortized Cost	-	-	1.327.957	-	1.327.957
Derivative Financial Assets	-	-	19.756	-	19.756
Partnership Investment	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	17.032.979	17.032.979
<b>Total Segment Assets</b>	<b>5.402.018</b>	<b>60.821.448</b>	<b>15.259.193</b>	<b>17.032.979</b>	<b>98.515.638</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	41.898.392	36.035.405	-	-	77.933.797
Derivative Financial Liabilities	-	-	71.692	-	71.692
Funds Borrowed	-	-	2.007.969	-	2.007.969
Money Market Funds	-	-	3.784.645	-	3.784.645
Securities Issued (Net)	-	-	4.360.022	-	4.156.876
Provisions	-	-	-	647.270	647.270
Other Liabilities	-	-	-	5.388.508	5.388.508
Shareholders' Equity	-	-	-	4.321.735	4.321.735
<b>Total Segment Liabilities</b>	<b>41.898.392</b>	<b>36.035.405</b>	<b>10.224.328</b>	<b>10.357.513</b>	<b>98.515.638</b>

(\*) Includes expected loss provisions.

(\*\*) Includes lease receivables.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period 1 January - 31 December 2020	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>381.619</b>	<b>3.136.478</b>	<b>656.569</b>	<b>16.679</b>	<b>4.191.345</b>
Profit Shares from Loans	381.619	3.136.478	-	-	3.518.097
Profit Shares from Banks	-	-	23.995	-	23.995
Profit Shares from Securities	-	-	608.569	-	608.569
Other Profit Shares	-	-	24.005	16.679	40.684
<b>Profit Shares Expense</b>	<b>(663.913)</b>	<b>(844.970)</b>	<b>(589.826)</b>	<b>(24.098)</b>	<b>(2.122.807)</b>
Profit Shares Expense on Participation Funds	(663.913)	(844.970)	(14)	-	(1.508.897)
Profit Shares Expense on Funds Borrowed	-	-	(199.072)	-	(199.072)
Profit Shares Expense on Money Market Transactions	-	-	(63.603)	-	(63.603)
Profit Shares Expense on Securities Issued	-	-	(327.137)	-	(327.137)
Other Profit Shares Expense	-	-	-	(24.098)	(24.098)
<b>Net Profit Shares Income/Expense</b>	<b>(282.294)</b>	<b>2.291.508</b>	<b>66.743</b>	<b>(7.419)</b>	<b>2.068.538</b>
<b>Net Fees and Commission Income/Expense</b>	<b>29.737</b>	<b>111.337</b>	<b>-</b>	<b>(48.533)</b>	<b>92.541</b>
Fees and Commissions Received	29.737	111.337	-	63.574	204.648
Fees and Commissions Paid	-	-	-	(112.107)	(112.107)
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>104</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>83.310</b>	<b>-</b>	<b>83.310</b>
<b>Other Operating Income</b>	<b>-</b>	<b>263.704</b>	<b>-</b>	<b>4.440</b>	<b>268.144</b>
<b>Provision for Expected Losses</b>	<b>(104.717)</b>	<b>(781.235)</b>	<b>-</b>	<b>(108.261)</b>	<b>(994.213)</b>
<b>Other Provision Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(173.855)</b>	<b>(173.855)</b>
<b>Personnel Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(235.155)</b>	<b>(235.155)</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>(4.959)</b>	<b>-</b>	<b>(311.973)</b>	<b>(316.932)</b>
<b>Net Operating Profit/Loss</b>	<b>(357.274)</b>	<b>1.880.355</b>	<b>150.157</b>	<b>(880.756)</b>	<b>792.482</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153.920)</b>	<b>(153.920)</b>
<b>Net Profit/Loss</b>	<b>(357.274)</b>	<b>1.880.355</b>	<b>150.157</b>	<b>(1.034.676)</b>	<b>638.562</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L	-	-	980.872	-	980.872
Banks <sup>(*)</sup>	-	-	4.799.686	-	4.799.686
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	5.145.732	-	5.145.732
Loans <sup>(**)</sup>	4.850.077	36.350.940	1.005.393	-	42.206.410
Financial Assets Measured at Amortised Cost	-	-	779.437	-	779.437
Derivative Financial Assets	-	-	28.253	-	28.253
Partnership Investment	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	6.246.506	6.246.506
<b>Total Segment Assets</b>	<b>4.850.077</b>	<b>36.350.940</b>	<b>12.739.373</b>	<b>6.246.506</b>	<b>60.186.896</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	18.467.116	27.918.934	-	-	46.386.050
Derivative Financial Liabilities	-	-	19.440	-	19.440
Funds Borrowed	-	-	1.426.614	-	1.426.614
Money Market Funds	-	-	2.101.073	-	2.101.073
Securities Issued (Net)	-	-	4.017.250	-	4.017.250
Provisions	-	-	-	409.244	409.244
Other Liabilities	-	-	-	2.092.952	2.092.952
Shareholders' Equity	-	-	-	3.734.273	3.734.273
<b>Total Segment Liabilities</b>	<b>18.467.116</b>	<b>27.918.934</b>	<b>7.564.377</b>	<b>6.236.469</b>	<b>60.186.896</b>

(\*) Includes expected loss provisions.

(\*\*) Includes lease receivables.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

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#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)

#### XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES

##### a) Information regarding the fair value of Financial assets and liabilities:

Current Period 31.12.2021	Book Value	Fair Value
<b>Financial Assets</b>	<b>81.402.484</b>	<b>79.469.675</b>
Due from Interbank Money Market	-	-
Banks	3.350.141	3.350.153
Financial Assets Measured at Fair Value Through Other Comprehensive Income	8.589.570	8.589.570
Financial Assets Measured at Amortised Cost	1.327.957	1.475.438
Loans	68.134.816	66.054.514
<b>Financial Liabilities</b>	<b>85.530.523</b>	<b>85.491.080</b>
Bank Deposits	4.684.079	4.684.079
Other Deposits	73.249.819	73.249.819
Funds Borrowed from Other Financial Institutions	6.164.846	6.125.403
Issued Marketable Securities	-	-
Miscellaneous Payables	1.431.779	1.431.779

Prior Period 31.12.2020	Book Value	Fair Value
<b>Financial Assets</b>	<b>54.084.573</b>	<b>53.131.349</b>
Due from Interbank Money Market	-	-
Banks	4.799.768	4.799.735
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5.145.732	5.145.732
Financial Assets Measured at Amortised Cost	779.437	921.034
Loans	43.359.636	42.264.848
<b>Financial Liabilities</b>	<b>52.152.959</b>	<b>52.152.001</b>
Bank Deposits	4.561.821	4.561.821
Other Deposits	41.824.329	41.824.329
Funds Borrowed from Other Financial Institutions	5.443.864	5.442.906
Issued Marketable Securities	-	-
Miscellaneous Payables	322.945	322.945

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

##### b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 "Financial Instruments: Explanations" Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related notes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank's balance sheet, are presented with respect to such basis of classification in the table below.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND  
LIABILITIES (Continued)****b) Information on fair value measurements recognized in the financial statements: (Continued)**

Current Period 31.12.2021	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	-	<b>1.795.316</b>	-	<b>1.795.316</b>
Government Debt Securities	-	1.795.316	-	1.795.316
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>8.579.158</b>	-	<b>10.412</b>	<b>8.589.570</b>
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	7.920.917	-	-	7.920.917
Other Marketable Securities	658.241	-	-	658.241
<b>Derivative Financial Assets</b>	-	<b>19.756</b>	-	<b>19.756</b>
<b>Total Assets</b>	<b>8.579.158</b>	<b>1.815.072</b>	<b>10.412</b>	<b>10.404.642</b>
<b>Derivative Financial Liabilities</b>	-	<b>71.692</b>	-	<b>71.692</b>
<b>Total Liabilities</b>	-	<b>71.692</b>	-	<b>71.692</b>

Prior Period 31.12.2020	Level 1	Level 2	Level 3	Total
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	-	<b>980.872</b>	-	<b>980.872</b>
Government Debt Securities	-	980.872	-	980.872
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>5.135.320</b>	-	<b>10.412</b>	<b>5.145.732</b>
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	4.655.109	-	-	4.655.109
Other Marketable Securities	480.211	-	-	480.211
<b>Derivative Financial Assets</b>	-	<b>28.253</b>	-	<b>28.253</b>
<b>Total Assets</b>	<b>5.135.320</b>	<b>1.009.125</b>	<b>10.412</b>	<b>6.154.857</b>
<b>Derivative Financial Liabilities</b>	-	<b>19.440</b>	-	<b>19.440</b>
<b>Total Liabilities</b>	-	<b>19.440</b>	-	<b>19.440</b>

**XIV. EXPLANATIONS ON THE ACTIVITIES CARRIED OUT ON BEHALF AND ON ACCOUNT  
OF OTHER PARTIES**

The Bank does not provide trading, custody and fund management services on behalf and account of its customers. The bank does not make faith-based transaction contracts.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Cash /Foreign Currency	55.164	478.398	34.139	185.722
Central Bank of the Republic of Turkey(*)	3.011.049	11.477.192	375.440	4.821.782
Other	-	268.888	-	60.037
<b>Total</b>	<b>3.066.213</b>	<b>12.224.478</b>	<b>409.579</b>	<b>5.067.541</b>

(\*) According to the letter of BRSA dated 3 January 2008, it includes the average TL required reserve balance.

###### 1.a.1) Information on Required Reserves

According to the CBRT's "Communiqué No 2013/15 on Required Reserves", the Parent Bank maintains required reserves at the CBRT for its Turkish and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the CBRT.

As of 31 December 2021, the applicable rates for required reserves established at the CBRT are between 3% and 8% for Turkish currency deposits and other liabilities (31 December 2020: 1% to 6%); It is between 5% and 26% for foreign currency deposits and other liabilities (31 December 2020: 5% to 22%).

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, the conversion rate from foreign currency deposit accounts in US dollars, Euros and British Pounds and participation fund accounts in foreign currency to time deposits and participation funds in Turkish lira as of the obligation date of 15/4/2022 It has been decided not to apply an annual commission of 1,5% to the banks that have reached the 10% level and the 20% level as of the 8/7/2022 obligation date, up to the amount to be kept for their liabilities until the end of 2022.

###### b) Information on the account of the Central Bank of the Republic of Turkey

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	3.011.049	11.477.192	375.440	4.821.782
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
<b>Total</b>	<b>3.011.049</b>	<b>11.477.192</b>	<b>375.440</b>	<b>4.821.782</b>

(\*) Required reserves in TL, FC and Gold established in accordance with the "Communiqué on Reserves" are included in the amounts in the table.

###### 2. Information on banks and other financial institutions

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Banks				
Domestic Banks	9.647	1.750.708	12.394	3.688.774
Foreign Banks	-	1.589.785	-	1.098.600
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>9.647</b>	<b>3.340.493</b>	<b>12.394</b>	<b>4.787.374</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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)****3. Financial assets at fair value through profit or loss**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Financial Assets at Fair Value Through Profit / Loss	1.787.541	808.723
Other Dividends and Income Rediscounts	7.775	187.229
Provision for Impairment (-)	-	(15.080)
<b>Total</b>	<b>1.795.316</b>	<b>980.872</b>

**4. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Assets Subject to Repurchase Agreements	2.520.412	2.145.367
Assets Blocked/Given as Collateral	432.735	147.536
<b>Total (*)</b>	<b>2.953.147</b>	<b>2.292.903</b>

(\*) Accruals and provisions for impairment are not included.

**b) Information on financial assets at fair value through other comprehensive income**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Debt Securities	8.700.787	5.282.808
Quoted in Stock Exchange	8.700.787	5.282.808
Not Quoted in Stock Exchange	-	-
Share Certificates	10.412	10.412
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	10.412	10.412
Provision for Impairment (-)(**)	121.629	147.488
<b>Total</b>	<b>8.589.570</b>	<b>5.145.732</b>

(\*) The mentioned amounts consist of the Credit Guarantee Fund amounting to TL 2.753 and TL 7.659 paid by the Bank to JCR Avrasya Rating A.Ş. Guarantee Fund, 2.753 JCR Avrasya Rating A.Ş).

(\*\*) Includes negative differences between the acquisition costs of financial assets and market prices.

**5. Information on derivative financial assets****a) Information on derivative assets at fair value through profit or loss**

	<b>Current Period 31.12.2021</b>		<b>Prior Period 31.12.2020</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Forward Transactions	12.764	2.138	889	-
Swap Transactions	-	4.854	27.355	9
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>12.764</b>	<b>6.992</b>	<b>28.244</b>	<b>9</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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

##### a) Information on all types of loans and advances given to shareholders and employees of the Bank

	Current Period 31.12.2021		Prior Period 31.12.2020	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	1.646	-	540	-
Corporate Shareholders	1.646	-	540	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	12.097	-	5.804	-
<b>Total (*)</b>	<b>13.743</b>	<b>-</b>	<b>6.344</b>	<b>-</b>

(\*) Includes rediscount amounts.

##### b) Information on the first and second group loans and other receivables including restructured loans

Current Period 31.12.2021				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured Loans with revised contract terms	Refinancing
<b>Cash Loans</b>				
Loans (*)	53.768.738	726.044	146.424	1.070.927
Export Loans	6.068.843	1.725	-	-
Import Loans	133.565	-	-	-
Commercial Loans	38.789.834	666.068	146.424	1.070.927
Consumer Loans	5.250.103	48.224	-	-
Credit Cards	27.404	168	-	-
Loans Given to Financial Sector	176.454	-	-	-
Other (**)	3.322.535	9.859	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	1.082.699	52.153	22	42.569
<b>Total</b>	<b>54.851.437</b>	<b>778.197</b>	<b>146.446</b>	<b>1.113.496</b>

Prior Period 31.12.2020				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured Loans with revised contract terms	Refinancing
<b>Cash Loans</b>				
Loans	35.213.881	486.490	7.816	661.077
Export Loans	2.814.464	4.080	-	-
Import Loans	63.885	-	-	-
Commercial Loans	24.477.947	406.370	7.816	661.077
Consumer Loans	4.810.580	7.259	-	-
Credit Cards	4.591	10	-	-
Loans Given to Financial Sector	960.141	-	-	-
Other	2.082.273	68.771	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	613.567	16.823	-	42.705
<b>Total</b>	<b>35.827.448</b>	<b>503.313</b>	<b>7.816</b>	<b>703.782</b>

(\*) Related amounts do not include financial lease receivables.

(\*\*) As of 31 December 2021, TL 39.633 (31 December 2020: TL 33.033) of the related balance consists of funds provided by the musharakah partnership financing method. As of 31 December 2021, the Bank has accounted for these fixed musharakah financing loans, which it carries in its statement of financial position, at historical cost in accordance with Interest-Free Finance Accounting Standard 4: Musharakah Financing "FFMS 4" Article 2/3/1.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### b) Information on the first and second group loans and other receivables including restructured loans (Continued)

	Current Period 31.12.2021		Prior Period 31.12.2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
<b>Expected Credit Loss of Stage 1 and Stage 2</b>				
12 Month Expected Credit Losses	228.215	-	128.318	-
Significant Increase in Credit Risk	-	168.969	-	236.065

	Current Period 31.12.2021		Prior Period 31.12.2020	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
<b>No. of extensions</b>				
1 or 2 Times Extended	294.941	1.217.351	193.975	668.893
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
<b>Total</b>	<b>294.941</b>	<b>1.217.351</b>	<b>193.975</b>	<b>668.893</b>

	Current Period 31.12.2021		Prior Period 31.12.2020	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
<b>Extension Periods</b>				
0 - 6 Months	31	28.422	-	24.485
6 Months – 12 Months	7.784	11.784	109.355	241.825
1 - 2 Years	173.766	591.041	33.198	153.176
2 - 5 Years	101.508	558.319	1.229	2.369
5 Years and Over	11.852	27.785	50.193	247.038
<b>Total</b>	<b>294.941</b>	<b>1.217.351</b>	<b>193.975</b>	<b>668.893</b>

##### c) Loans According to maturity structure

Current Period 31.12.2021			
	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	12.976.249	355.450	8.987
Medium and Long-term Loans	40.792.489	370.594	1.208.364
<b>Total</b>	<b>53.768.738</b>	<b>726.044</b>	<b>1.217.351</b>

Prior Period 31.12.2020			
	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	7.513.548	300.792	12.567
Medium and Long-term Loans	27.700.333	185.698	656.326
<b>Total</b>	<b>35.213.881</b>	<b>486.490</b>	<b>668.893</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 consumer loans, individual credit cards, personnel loans and personnel credit cards

Current Period 31.12.2021	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>12.812</b>	<b>5.275.390</b>	<b>5.288.202</b>
Housing Loans	2.438	4.908.801	4.911.239
Vehicle Loans	2.146	142.921	145.067
Consumer Loans	8.228	223.668	231.896
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>25.620</b>	<b>44</b>	<b>25.664</b>
With Installment	7.247	35	7.282
Without Installment	18.373	9	18.382
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>157</b>	<b>9.968</b>	<b>10.125</b>
Housing Loans	-	2.698	2.698
Vehicle Loans	-	128	128
Consumer Loans	157	7.142	7.299
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>1.901</b>	<b>7</b>	<b>1.908</b>
With Installment	353	1	354
Without Installment	1.548	6	1.554
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>40.490</b>	<b>5.285.409</b>	<b>5.325.899</b>

(\*) Dividend accrual amounting to TL 76.119 is not included in the table.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 consumer loans, individual credit cards, personnel loans and personnel credit cards (Continued)

Prior Period 31.12.2020	Short-Term	Medium and Long-Term	Total
<b>Consumer Loans - TL</b>	<b>32.041</b>	<b>4.780.664</b>	<b>4.812.705</b>
Housing Loans	2.229	4.474.142	4.476.371
Vehicle Loans	1.093	171.567	172.660
Consumer Loans	28.719	134.955	163.674
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>3.934</b>	<b>4</b>	<b>3.938</b>
With Installment	1.180	4	1.184
Without Installment	2.754	-	2.754
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>61</b>	<b>5.073</b>	<b>5.134</b>
Housing Loans	-	-	-
Vehicle Loans	-	89	89
Consumer Loans	61	4.984	5.045
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>655</b>	<b>8</b>	<b>663</b>
With Installment	112	7	119
Without Installment	543	1	544
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>36.691</b>	<b>4.785.749</b>	<b>4.822.440</b>

(\*) Dividend accrual amounting to TL 47.414 is not included in the table.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### e) Information on installment commercial loans and corporate credit cards

Current Period 31.12.2021	Short-Term	Medium and Long-Term	Total
<b>Installment Commercial Loans-TL</b>	<b>122.846</b>	<b>829.455</b>	<b>952.301</b>
Business Loans	-	35.282	35.282
Vehicle Loans	122.846	794.173	917.019
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>20</b>	<b>20</b>
Business Loans	-	-	-
Vehicle Loans	-	20	20
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>-</b>	<b>44.336</b>	<b>44.336</b>
With Installment	-	-	-
Without Installment	-	44.336	44.336
With Installment	-	-	-
Without Installment	-	-	-
<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>122.846</b>	<b>873.811</b>	<b>996.657</b>

Prior Period 31.12.2020	Short-Term	Medium and Long-Term	Total
<b>Installment Commercial Loans-TL</b>	<b>120.795</b>	<b>531.124</b>	<b>651.919</b>
Business Loans	-	41.214	41.214
Vehicle Loans	107.336	489.910	597.246
Consumer Loans	13.459	-	13.459
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>2.943</b>	<b>2.943</b>
Business Loans	-	-	-
Vehicle Loans	-	2.943	2.943
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>-</b>	<b>23.550</b>	<b>23.550</b>
With Installment	-	-	-
Without Installment	-	23.550	23.550
With Installment	-	-	-
Without Installment	-	-	-
<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>120.795</b>	<b>557.617</b>	<b>678.412</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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)****f) Loans according to types of borrower:**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Public	1.858.537	461.569
Private	53.853.596	35.907.695
Profit Share Income Accruals and Rediscounts	1.177.443	673.095
<b>Total *</b>	<b>56.889.576</b>	<b>37.042.359</b>

(\*) Financial lease receivables and non-performing loans are not included.

**g) Breakdown of domestic and international loans**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Domestic Loans	54.953.912	36.256.108
Foreign Loans	758.221	113.156
Profit Share Income Accruals and Rediscounts	1.177.443	673.095
<b>Total (*)</b>	<b>56.889.576</b>	<b>37.042.359</b>

(\*) Financial lease receivables and non-performing loans are not included.

**h) Loans granted to subsidiaries and participations**

As of 31 December 2021, the Bank has no loans granted to subsidiaries and participations (31 December 2020: None).

**i) Provision for default (Stage 3/Specific Provision)**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Loans and receivables with limited collectability	16.240	83.330
Loans and receivables with doubtful collectability	252.060	89.754
Uncollectible loans and other receivables	1.069.412	615.759
<b>Total</b>	<b>1.337.712</b>	<b>788.843</b>

**j) Information on lease receivables****j.1) Analysis of investments made in financial leasing by remaining maturity**

	<b>Current Period 31.12.2021</b>		<b>Prior Period 31.12.2020</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
Less than 1 year	449.965	431.939	229.444	218.891
1-5 year	8.174.378	7.132.872	4.431.155	3.904.522
More than 5 years	2.363.504	1.981.453	1.262.735	1.012.806
<b>Total</b>	<b>10.987.847</b>	<b>9.546.264</b>	<b>5.923.334</b>	<b>5.136.219</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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.2) Information on Net Investments Made in Financial Leasing

	Current Period 31.12.2021	Prior Period 31.12.2020
Gross Lease Receivable	10.987.847	5.923.334
Financial Income Unearned From Financial Leasing (-)	(1.441.583)	(787.115)
Canceled Rental Amounts	-	-
<b>Total</b>	<b>9.546.264</b>	<b>5.136.219</b>

###### k) Information on non-performing receivables (net)

###### k.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled

As of 31 December 2021, the sum of the Bank's non-performing loans restructured or rescheduled for a new redemption plan and other receivables is 126.321 TL (31 December 2020: 13.039).

###### k.2) Information on the movement of total non-performing loans

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
<b>Current Period 31.12.2021</b>			
<b>Ending balance of prior period</b>	<b>203.447</b>	<b>172.400</b>	<b>805.211</b>
Additions in the current period (+)	566.363	73.959	290.792
Transfers from other categories of non-performing loans (+)	-	483.623	320.417
Transfers to other categories of non-performing loans (-)	483.623	320.417	-
Collections in the current period (-)	244.720	18.369	150.107
Write offs (-) <sup>(*)</sup>	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>41.467</b>	<b>391.196</b>	<b>1.266.313</b>
Expected Loss Provision (Stage 3) (-)	16.240	252.060	1.069.412
<b>Net balance on balance sheet</b>	<b>25.227</b>	<b>139.136</b>	<b>196.901</b>

(\*) Includes transfers to first and second group loans amounting to TL 42.558.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### k.2) Information on the movement of total non-performing loans (Continued)

	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>Prior Period 31.12.2020</b>			
<b>Ending balance of prior period</b>	<b>155.555</b>	<b>195.532</b>	<b>324.195</b>
Additions in the current period (+)	454.803	230.798	240.742
Transfers from other categories of non-performing loans (+)	-	392.746	503.145
Transfers to other categories of non-performing loans (-)	392.746	503.145	-
Collections in the current period (-)	14.165	143.531	161.825
Write offs (-) <sup>(*)</sup>	-	-	101.046
Corporate and commercial loans	-	-	101.046
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>203.447</b>	<b>172.400</b>	<b>805.211</b>
Expected Loss Provision (Stage 3) (-)	83.330	89.754	615.759
<b>Net balance on balance sheet</b>	<b>120.117</b>	<b>82.646</b>	<b>189.452</b>

##### k.3) Information on foreign currency non-performing loans:

	Group III Allocated for Loans with Limited Collection	Group IV Allocated for Doubtful Loans	Group V Allocated for Loss Loans
<b>Current Period 31.12.2021</b>			
<b>Current Period (*)</b>			
<b>Ending Balance</b>	<b>-</b>	<b>14.502</b>	<b>415.568</b>
Provision for Expected Loss (Stage 3) (-)	-	8.142	358.580
<b>Net Balance in the Balance Sheet</b>	<b>-</b>	<b>6.360</b>	<b>56.988</b>

	Group III Allocated for Loans with Limited Collection	Group IV Allocated for Doubtful Loans	Group V Allocated for Loss Loans
<b>Prior Period 31.12.2020</b>			
<b>Current Period (*)</b>			
<b>Ending Balance</b>	<b>14.935</b>	<b>57.475</b>	<b>221.893</b>
Provision for Expected Loss (Stage 3) (-)	4.056	32.515	167.226
<b>Net Balance in the Balance Sheet</b>	<b>10.879</b>	<b>24.960</b>	<b>54.667</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### 1) 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>25.227</b>	<b>139.136</b>	<b>196.901</b>
Loans to Real Persons and Legal Entities (Gross)	41.467	391.196	1.266.313
Specific Provisions (-)	16.240	252.060	1.069.412
Loans to Real Persons and Legal Entities (Net)	25.227	139.136	196.901
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>120.117</b>	<b>82.646</b>	<b>189.452</b>
Loans to Real Persons and Legal Entities (Gross)	203.447	172.400	805.211
Specific Provisions (-)	83.330	89.754	615.759
Loans to Real Persons and Legal Entities (Net)	120.117	82.646	189.452
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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>Current Period 31.12.2021</b>			
Profit Share Accrual and Valuation Differences Provision	2.009	26.474	192.499
Provision Amount (-)	822	15.514	160.127

	<b>Group III: Loans with limited collectability</b>	<b>Group IV: Loans with doubtful collectability</b>	<b>Group V: Uncollectible loans</b>
<b>Prior Period 31.12.2020</b>			
Profit Share Accrual and Valuation Differences Provision	9.402	17.192	74.182
Provision Amount (-)	3.994	8.714	60.296

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### Provision changes according to TFRS 9

	Current Period 31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>128.318</b>	<b>236.065</b>	<b>788.843</b>	<b>1.153.226</b>
Addition	140.975	107.509	541.460	789.944
Disposals (-)	(33.896)	(87.199)	(87.179)	(208.274)
Sold (-)	-	-	-	-
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	548	(539)	(9)	-
Transfer to Stage 2	(6.923)	7.084	(161)	-
Transfer to Stage 3	(807)	(93.951)	94.758	-
<b>Balance at the Closing of the Period</b>	<b>228.215</b>	<b>168.969</b>	<b>1.337.712</b>	<b>1.734.896</b>

	Prior Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>49.467</b>	<b>56.606</b>	<b>467.773</b>	<b>573.846</b>
Addition	85.387	216.872	417.298	719.557
Disposals (-)	(11.713)	(19.694)	(7.725)	(39.132)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	6.103	(6.103)	-	-
Transfer to Stage 2	(915)	5.937	(5.022)	-
Transfer to Stage 3	(11)	(17.553)	17.564	-
<b>Balance at the Closing of the Period</b>	<b>128.318</b>	<b>236.065</b>	<b>788.843</b>	<b>1.153.226</b>

##### Cash loan changes according to TFRS 9

	Current Period 31.12.2021			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>40.426.874</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>43.359.636</b>
Addition	33.320.802	351.643	388.703	34.061.148
Disposals (-)	(8.813.386)	(78.268)	(245.152)	(9.136.806)
Sold (-)	-	-	-	-
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	159.267	(155.657)	(3.610)	-
Transfer to Stage 2	(878.056)	893.328	(15.272)	-
Transfer to Stage 3	(77.269)	(465.142)	542.411	-
<b>Balance at the Closing of the Period</b>	<b>64.138.232</b>	<b>2.297.608</b>	<b>1.698.976</b>	<b>68.134.816</b>

(\*) Includes 9.286.795 TL in the first stage and 259.469 TL in the second stage.

	Prior Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>26.765.484</b>	<b>2.124.264</b>	<b>675.282</b>	<b>29.565.030</b>
Addition	22.861.738	239.857	302.932	23.404.527
Disposals (-)	(9.131.240)	(257.645)	(119.991)	(9.508.876)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	366.194	(366.194)	-	-
Transfer to Stage 2	(430.123)	445.945	(15.822)	-
Transfer to Stage 3	(5.179)	(434.523)	439.702	-
<b>Balance at the Closing of the Period</b>	<b>40.426.874</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>43.359.636</b>

(\*) Includes 4.599.426 TL in the first stage and 536.793 TL in the second stage.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

###### m) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

###### n) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

###### 7. Financial assets at amortized cost

###### a) Information on government debt securities measured at amortized cost

	Current Period 31.12.2021	Prior Period 31.12.2020
Debt Securities	1.327.957	779.437
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
<b>Total</b>	<b>1.327.957</b>	<b>779.437</b>

###### b) Information on financial assets valued at amortized cost

None (31 December 2020: None)

###### c) Information on government debt securities measured at amortized cost

As of 31 December 2021, the Group's government debt securities measured at amortized cost is 1.327.957 TL (31 December 2020: 779,437).

	Current Period 31.12.2021	Prior Period 31.12.2020
Balances at Beginning of Period	779.437	547.750
Foreign Currency Differences on Monetary Assets	396.879	191.227
Purchases during the Period (*)	151.641	40.460
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
<b>Balances at End of Period</b>	<b>1.327.957</b>	<b>779.437</b>

(\*) Rediscounts are shown in "Purchases during the Period" line.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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. Information on assets related to trading investments and discontinued operations

As of 31 December 2021, the Group's assets held for sale are TL 307.881 (31 December 2020: TL 75.240).

	Current Period 31.12.2021	Prior Period 31.12.2020
<b>Beginning Balance (Net)</b>	<b>75.240</b>	<b>104.069</b>
Changes During the Period (Net)	232.641	(28.829)
Amount of depreciation	-	-
Provision for Impairment	-	-
<b>Period End Balance (Net) <sup>(*)</sup></b>	<b>307.881</b>	<b>75.240</b>

(\*) The Group has fiduciary rights over TL 247.112 (31 December 2020: TL 57.817) of assets held for sale.

As of 31 December 2021, the Bank has no discontinued operations (31 December 2020: None).

###### 9. Equity Investments

###### a) Information about investments in associates (net)

None (31 December 2020: None).

###### b) Information on subsidiaries (net)

###### b.1) Information on unconsolidated subsidiaries

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

	Total Assets	Shareholder s Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior Period Income/Loss	Fair Value	Needed Shareholder s Equity
1 <sup>(*)</sup>	4.157.332	343	-	609.763	-	176	95	-	-
2 <sup>(*)</sup>	203.297	87	-	3.267	-	3	22	-	-

(\*) Independently audited financial statements of 31 December 2021 are used.

	Current Period 31.12.2021	Prior Period 31.12.2020
<b>Balance at the beginning of the year</b>	<b>250</b>	<b>134</b>
<b>Movements during the year</b>		
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	180	117
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment (-)	-	-
<b>Balance at the end of the year</b>	<b>430</b>	<b>250</b>
Capital commitments	-	-
Share percentage at the end of the year (%)	%100	%100

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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. Equity Investments (Continued)

##### b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 31.12.2021	Prior Period 31.12.2020
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

##### b.3) Subsidiaries that are quoted on the stock exchange

None (31 December 2020: None).

##### c) Information on entities under common control (joint ventures)

None (31 December 2020: None).

#### 10. 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	-	145.703	89.051	20.924	52.052	-	307.730
Accumulated Depreciation (-)	-	44.250	47.532	7.293	30.691	-	129.766
<b>Net Book Value</b>	-	101.453	41.519	13.631	21.361	-	177.964
<b>Current Period End:</b>							
Net Book Value at the Beginning of the Period	-	101.453	41.519	13.631	21.361	-	177.964
Change During the Period (Net)	-	50.597	50.583	10.145	12.630	-	123.955
Cost	-	76.318	56.162	14.006	20.560	-	167.046
Amortization (Net) (-)	-	25.721	5.579	3.861	7.930	-	43.091
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	222.021	145.213	34.930	72.612	-	474.776
Accumulated Depreciation at Period End (-)	-	69.971	53.111	11.154	38.621	-	172.857
Provisions for losses	-	-	-	-	-	-	-
<b>Closing Net Book Value</b>	-	152.050	92.102	23.776	33.991	-	301.919

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 intangible assets

	Current Period 31.12.2021			Prior Period 31.12.2020		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	280.415	56.576	223.839	198.433	37.176	161.257
<b>Total</b>	<b>280.415</b>	<b>56.576</b>	<b>223.839</b>	<b>198.433</b>	<b>37.176</b>	<b>161.257</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.
- d) Book value of intangible assets with restrictions on use or pledged: None.
- e) Amount of commitments given for acquisition of intangible asset: None.
- f) Intangible assets based on revalued asset type: None.
- g) Total amount of research and development expenses recorded in the period, if any: None.
- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- i) Information on goodwill: None.

###### 12. Information on the investment properties:

As of 31 December 2021, the Group has no investment property (31 December 2020: None).

###### 13. Information on the current period assets related to tax:

As at 31 December the Group's deferred tax liabilities of TL 183.007 (31 December 2020: TL 68.859) and deferred tax assets of TL 484.336 (31 December 2020: TL 177.456) have been offset and TL 301.329 deferred tax asset (31 December 2020: TL 108.597 deferred tax asset) is reflected in the financial statements.

	Current Period 31.12.2021	Prior Period 31.12.2020
Deferred Tax Assets	484.336	177.456
Deferred Tax Liabilities	183.007	68.859
Net Deferred Tax Assets	301.329	108.597
Net Deferred Tax Income	202.259	47.615

	Current Period 31.12.2021	Prior Period 31.12.2020
Reserve for Employee Benefits	13.165	11.347
Short-term Employee Benefits	47.721	38.273
Financial Assets Valuation Differences	57.375	28.650
Other	183.068	30.327
<b>Net Deferred Tax Asset</b>	<b>301.329</b>	<b>108.597</b>

###### 14. Information on other assets:

As of 31 December 2021, other assets do not exceed 10% of the total assets excluding off-balance sheet commitment.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 31.12.2020	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TL	1.080.407	-	-	-	-	-	-	-	1.080.407
II. Real persons participation accounts non-trade TL	-	689.629	6.452.687	129.875	85.879	1.828	305.761	-	7.665.659
III. Other current accounts-TL	6.128.513	-	-	-	-	-	-	-	6.128.513
Public sector	167.917	-	-	-	-	-	-	-	167.917
Commercial sector	1.749.291	-	-	-	-	-	-	-	1.749.291
Other institutions	76.861	-	-	-	-	-	-	-	76.861
Commercial and other institutions	517	-	-	-	-	-	-	-	517
Banks and participation banks	4.133.927	-	-	-	-	-	-	-	4.133.927
Central Bank of Republic of Turkey	117	-	-	-	-	-	-	-	117
Domestic banks	774	-	-	-	-	-	-	-	774
Foreign banks	4.133.014	-	-	-	-	-	-	-	4.133.014
Participation banks	22	-	-	-	-	-	-	-	22
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts- TL	-	2.898.139	10.399.835	918.222	318.592	280.004	25.512	-	14.840.304
Public sector	-	816.825	1.110.069	124.235	41.131	78.548	-	-	2.170.808
Commercial sector	-	2.068.417	7.387.720	724.434	255.743	201.456	22.075	-	10.659.845
Other institutions	-	12.897	1.379.432	69.553	21.718	-	3.437	-	1.487.037
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	522.614	-	-	-	-	-	522.614
V. Real persons current accounts non-trade FC	3.803.345	-	-	-	-	-	-	-	3.803.345
VI. Real persons participation accounts-FC	-	591.893	9.616.802	184.883	-	280.987	2.053.298	-	12.727.863
VII. Other current accounts-FC	8.580.782	-	-	-	-	-	-	-	8.580.782
Commercial residents in Turkey	8.406.586	-	-	-	-	-	-	-	8.406.586
Commercial residents in Abroad	159.312	-	-	-	-	-	-	-	159.312
Banks and participation banks	14.884	-	-	-	-	-	-	-	14.884
Central Bank of Republic of Turkey	6.090	-	-	-	-	-	-	-	6.090
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	8.794	-	-	-	-	-	-	-	8.794
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	466.502	9.830.320	231.336	80.902	1.129	7.741.954	-	18.352.143
Public sector	-	-	1.352	-	-	-	-	-	1.352
Commercial sector	-	464.496	9.723.205	231.262	80.902	1.129	7.739.071	-	18.240.065
Other institutions	-	2.006	34.110	74	-	-	2.883	-	39.073
Commercial and other institutions	-	-	71.653	-	-	-	-	-	71.653
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	2.012.422	-	2.642.744	11.673	38.902	-	49.040	-	4.754.781
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>21.605.469</b>	<b>4.646.163</b>	<b>38.942.388</b>	<b>1.475.989</b>	<b>524.275</b>	<b>563.948</b>	<b>10.175.56</b>	<b>5</b>	<b>77.933.797</b>

(\*) As of 31 December 2021, it includes 107.752 TL of CBRT Currency Protected Participation Account and 969.122 TL of Treasury Currency Protected Participation Account products.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 31.12.2020	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TL	547.690	-	-	-	-	-	-	-	547.690
II. Real persons participation accounts non-trade TL	-	460.869	4.921.147	47.420	-	57.942	306.722	-	5.794.100
III. Other current accounts-TL	5.992.402	-	-	-	-	-	-	-	5.992.402
Public sector	173.231	-	-	-	-	-	-	-	173.231
Commercial sector	1.219.708	-	-	-	-	-	-	-	1.219.708
Other institutions	47.949	-	-	-	-	-	-	-	47.949
Commercial and other institutions	633	-	-	-	-	-	-	-	633
Banks and participation banks	4.550.881	-	-	-	-	-	-	-	4.550.881
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	6	-	-	-	-	-	-	-	6
Foreign banks	4.550.867	-	-	-	-	-	-	-	4.550.867
Participation banks	8	-	-	-	-	-	-	-	8
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	1.700.665	10.174.612	94.150	-	220.688	378.157	-	12.568.272
Public sector	-	620.289	899.416	41.069	-	106.655	-	-	1.667.429
Commercial sector	-	1.053.627	8.465.785	49.958	-	114.030	378.068	-	10.061.468
Other institutions	-	26.749	795.695	3.123	-	3	89	-	825.659
Commercial and other institutions	-	-	6.782	-	-	-	-	-	6.782
Banks and participation banks	-	-	6.934	-	-	-	-	-	6.934
V. Real persons current accounts-FC	1.495.884	-	-	-	-	-	-	-	1.495.884
VI. Real persons participation accounts non-trade FC	-	493.578	5.322.190	73.336	-	143.786	1.285.468	-	7.318.358
VII. Other current accounts non-trade FC	2.638.698	-	-	-	-	-	-	-	2.638.698
Commercial residents in Turkey	2.571.320	-	-	-	-	-	-	-	2.571.320
Commercial residents in Abroad	63.298	-	-	-	-	-	-	-	63.298
Banks and participation banks	4.080	-	-	-	-	-	-	-	4.080
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4.080	-	-	-	-	-	-	-	4.080
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	309.325	5.963.344	35.670	-	47.954	592.942	-	6.949.235
Public sector	-	-	2.009	-	-	-	-	-	2.009
Commercial sector	-	309.230	5.941.971	35.551	-	47.954	592.942	-	6.927.648
Other institutions	-	95	8.475	119	-	-	-	-	8.689
Commercial and other institutions	-	-	10.889	-	-	-	-	-	10.889
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.325.471	-	1.651.045	44.328	-	19.203	41.364	-	3.081.411
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>12.000.145</b>	<b>2.964.437</b>	<b>28.032.338</b>	<b>294.904</b>	<b>-</b>	<b>489.573</b>	<b>2.604.653</b>	<b>-</b>	<b>46.386.050</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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.2) Exceeding amounts of insurance limit****i. Information's on current and participation accounts within the scope of Saving  
Deposit/Saving Deposit Insurance Fund**

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period 31.12.2021	Prior Period 31.12.2020	Current Period 31.12.2021	Prior Period 31.12.2020
Real persons current and profit sharing accounts that are not subject to commercial activities	7.959.088	6.262.307	21.375.856	11.597.180
TL accounts	4.068.648	3.102.912	4.677.418	3.238.877
FC accounts	3.890.440	3.159.395	16.698.438	8.358.303
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

**ii. Amounts which are not within the scope of insurance****Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund**

	Current Period 31.12.2021	Prior Period 31.12.2020
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	142	672
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

**2. Information on funds borrowed****a) Information on banks and other financial institutions**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	319.918	1.540.520	380.086	1.012.839
From Foreign Banks, Institutions and Funds	-	147.531	-	33.689
<b>Total</b>	<b>319.918</b>	<b>1.688.051</b>	<b>380.086</b>	<b>1.046.528</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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)****2. Information on funds borrowed (Continued)****b) Information on maturity structure of borrowings**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Short-term	106.026	801.105	104.520	750.707
Medium and Long-term	213.892	886.946	275.566	295.821
<b>Total</b>	<b>319.918</b>	<b>1.688.051</b>	<b>380.086</b>	<b>1.046.528</b>

**c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations**

79% of Bank's liabilities consists of current and participation account.

**3. Information on funds obtained from money market transactions**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
<b>Domestic</b>	<b>3.784.645</b>	<b>-</b>	<b>2.101.073</b>	<b>-</b>
Financial Institutions	3.784.645	-	2.101.073	-
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
<b>Total</b>	<b>3.784.645</b>	<b>-</b>	<b>2.101.073</b>	<b>-</b>

**4. Information on securities issued**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Bond	-	-	-	-
Asset Backed Securities	4.360.022	-	4.017.250	-
Bill	-	-	-	-
<b>Total</b>	<b>4.360.022</b>	<b>-</b>	<b>4.017.250</b>	<b>-</b>

**5. Information on financial liabilities at fair value through profit and loss**

None (31 December 2020: None).

**6. Information on derivative financial liabilities**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Forward transactions	-	-	-	19.213
Swap transactions	70.653	1.039	-	227
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>70.653</b>	<b>1.039</b>	<b>-</b>	<b>19.440</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### 7. Information on financial lease obligations

	Current Period 31.12.2021		Prior Period 31.12.2020	
	Gross	Net	Gross	Net
Less than 1 year	63.632	36.170	73.018	42.158
Between 1-5 years	84.602	64.630	126.116	78.453
More than 5 years	180.579	93.663	9.770	7.023
<b>Total</b>	<b>328.813</b>	<b>194.463</b>	<b>208.904</b>	<b>127.634</b>

##### 8. Information on provisions

###### a) Information on provisions related with foreign currency difference of foreign currency indexed loans and lease receivables

There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2020: None).

###### b) Information on special provisions related with uncompensated and non- liquidated non-cash loans

The expected credit loss provision for non-compensated and non-cash loans is TL 29.168 (31 December 2020: TL 26.708).

###### c) Information on other provisions

###### c.1) Information on free provisions for possible risks

As of 31 December 2021, the amount of free provision for possible risks, all of which has been set aside in previous years is TL 20.000, and TL 25.000 has been canceled in the current year (31 December 2020: TL 45.000).

###### c.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount

As of 31 December 2021 TL 428.989 (31 December 2020: TL 206.087) of other provisions was allocated from the profits to be distributed to participation accounts, TL 1.612 (31 December 2020: TL 147) of the provisions for foreign currency purchases and sales transactions, 226 The portion amounting to TL (31 December 2020: None) consists of the provision for promotional practices regarding credit cards and banking services.

###### c.3) Information on litigation provisions

A provision of TL 55.135 has been set aside in the financial statements for lawsuits that have not yet been finalized against the bank (31 December 2020: TL 36.613).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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 Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2021, the amount payable consists of one month's salary limited to a maximum of TL 8.285 (full TL) (31 December 2020: TL 7.117 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Discount Rate (%)	19,10%	12,80%
Inflation (%)	15,80%	10,10%

Movements in the reserve for employment termination benefits during period are as follows:

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Balance at the 1 January	18.984	8.662
Total Provisions During the Period	8.179	16.489
Paid During the Period	(1.115)	(429)
Actuarial loss/(gain)	211	(5.738)
<b>Balance at the end of the period</b>	<b>26.259</b>	<b>18.984</b>

As of 31 December 2021, the Bank has a TL 10.500 short-run employees' rights provision (31 December 2020: TL 7.250).

**d.2) Retirement Benefits**

Based on the results of the actuarial report, which is calculated with the actuarial ratio 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2021, no technical deficit has been reported.

As of the balance sheet date, the Bank's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

**d.3) Additional Bonus Provision to be paid to Personnel**

The Group has a total of 500 TL provision in the current period, based on the additional bonus to be paid to the personnel (31 December 2020: 29.836).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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 31 December 2021, the Group has a current tax liability of 350.441 TL (31 December 2020: 96.632 TL).

**b) Information on taxes payable**

	Current Period 31.12.2021	Prior Period 31.12.2020
Corporate Tax Payable	282.895	57.157
Taxation on Income From Securities	28.932	18.264
Property Tax	475	159
Banking Insurance Transactions Tax (BITT)	19.237	12.977
Foreign Exchange Transactions Tax	5.578	1.099
Value Added Tax Payable	8.809	3.642
Other	3.998	2.975
<b>Total</b>	<b>349.924</b>	<b>96.273</b>

**c) Information on premiums:**

	Current Period 31.12.2021	Prior Period 31.12.2020
Social Security Premiums - Employee	15	8
Social Security Premiums - Employer	7	14
Bank Social Aid Pension Fund Premium - Employee	-	1
Bank Social Aid Pension Fund Premium - Employer	-	7
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	165	110
Unemployment Insurance - Employer	330	219
Other	-	-
<b>Total</b>	<b>517</b>	<b>359</b>

**10. Information on deferred tax liabilities**

The Bank has no deferred tax liability as of the balance sheet date (31 December 2020: None).

**11. Information on payables for assets held for sale and discontinued operations**

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2020: None).

**12. Explanations on subordinated debts**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
From Domestic Banks	1.341.500	-	312.489	-
Domestic Other Organizations	-	1.314.363	-	768.037
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
<b>Total</b>	<b>1.341.500</b>	<b>1.314.363</b>	<b>312.489</b>	<b>768.037</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:	-	1.314.363	-	768.037
Subordinated Loans(*)	-	1.314.363	-	768.037
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	1.341.500	-	312.489	-
Subordinated Loans (*)	1.341.500	-	312.489	-
Equity-like Debt Instruments	-	-	-	-
<b>Total</b>	<b>1.341.500</b>	<b>1.314.363</b>	<b>312.489</b>	<b>768.037</b>

(\*) 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 31.12.2021	Prior Period 31.12.2020
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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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)**

- 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 2020: None).

- f) **Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity**

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators (31 December 2020: None).

- g) **Summary information on privileges given to shares representing the capital**

As of 31 December 2021, the Bank has no preferred shares (31 December 2020: None).

- h) **Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss**

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	43.265	(24.008)	(9.259)	(84)
Revaluation Difference	49.994	(24.008)	(12.063)	(84)
Deferred Tax Effect	(6.729)	-	2.804	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>43.265</b>	<b>(24.008)</b>	<b>(9.259)</b>	<b>(84)</b>

**i) Profit reserves and profit distribution**

Legal reserves are divided into first and second reserves in the Turkish Commercial Code ("TCC"). Primary legal reserves are separated from profit at the rate of 5% until the total reserves reach 20% of the paid-in capital. Secondary legal reserves are set aside at the rate of 10% over cash profit distributions exceeding 5% of the paid-in capital.

At the Bank's Ordinary General Assembly meeting held on 31 March 2021, it was decided to distribute the profit for 2020 as follows:

**Profit distribution table for 2020:**

<b>Profit for the year 2020</b>	<b>638.562</b>
A - 1st Tier general legal reserves (TTK 519 / A) 5%	31.928
B - First dividend to shareholders	-
C - Extraordinary reserves	606.634
D - Special funds	-

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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****1. Information on off-balance sheet liabilities****a) Nature and amount of irrevocable loan commitments**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Forward Asset Value Trading Commitments	553.864	155.132
Guaranteed Loan Allocation Commitments	-	-
Payment Commitments for Cheques	448.457	268.625
Tax and Fund Liabilities from Export Commitments	22.637	16.428
Commitments for Credit Card Expenditure Limits	141.095	48.071
Other Irrevocable Commitments	534.148	173.340
Commitment to Implementation of Promotions for Credit Card and Banking Services	265	1
<b>Total</b>	<b>1.700.466</b>	<b>661.597</b>

**b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned**

The amount of provision for Stage 3 possible losses arising from the off-balance sheet items is TL 103.959 (31 December 2020: TL 65.327).

**b.1) Non-cash loans including guarantees, acceptances, financial guarantees and other letter of credits**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Guarantee Letters	22.059.849	12.574.368
Bank Acceptances	33.018	7.687
Letter of Credits	5.073.547	1.380.643
Other Contingencies	2.437.051	1.953.072
<b>Total</b>	<b>29.603.465</b>	<b>15.915.770</b>

**b.2) Certain guarantees, temporary guarantees, surety ships and similar transactions**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Letters of Temporary Guarantees	996.121	945.817
Letters of Certain Guarantees	9.823.046	6.505.269
Letters of Advance Guarantees	2.946.697	592.998
Letters of Guarantees given to Customs Offices	151.838	100.010
Other Letters of Guarantees	8.142.147	4.430.274
<b>Total</b>	<b>22.059.849</b>	<b>12.574.368</b>

**b.3) Total non-cash loans**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>8.142.586</b>	<b>4.430.274</b>
With Original Maturity of One Year or Less	1.128.932	406.570
With Original Maturity of More than One Year	7.013.654	4.023.704
<b>Other Non-Cash Loans</b>	<b>21.460.879</b>	<b>11.485.496</b>
<b>Total</b>	<b>29.603.465</b>	<b>15.915.770</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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)

##### c) Information on sectoral risk concentrations of non-cash loans

	Current Period 31.12.2021				Prior Period 31.12.2020			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	75.637	1	78.148	-	56.462	1	56.269	1
Farming and Raising								
Livestock	15.466	-	42.021	-	38.164	1	34.277	1
Forestry	59.898	1	3.036	-	18.243	-	-	-
Fishing	273	-	33.091	-	55	-	21.992	-
Manufacturing	1.749.611	21	13.418.916	63	1.295.191	19	6.285.349	69
Mining and Quarrying	25.037	-	96.213	-	21.053	-	60.462	1
Production	1.469.394	18	13.212.652	62	1.003.857	15	6.194.957	68
Electric, Gas and Water	255.180	3	110.051	1	270.281	4	29.930	-
Construction	4.184.044	51	2.878.530	13	3.522.025	51	836.526	9
Services	2.260.586	27	4.871.774	23	1.894.262	28	1.887.525	21
Wholesale and Retail Trade	1.580.186	19	2.885.471	14	1.334.199	20	1.053.809	12
Hotel, Food and Beverage Services	57.145	1	331.454	2	56.366	1	144.016	2
Transportation and Telecommunication	157.817	2	590.138	3	123.352	2	367.698	4
Financial Institutions	28.626	-	587.064	3	34.655	1	68.313	1
Real Estate and Leasing Services	317.124	4	220.123	1	293.691	3	222.510	2
Self-employment Services	88.008	1	2.167	-	-	-	-	-
Education Services	3.492	-	20.489	-	2.336	-	22.241	-
Health and Social Services	28.188	-	234.868	-	49.663	1	8.938	-
Other	1.294	-	84.925	1	71.342	1	10.819	-
<b>Total</b>	<b>8.271.172</b>	<b>100</b>	<b>21.332.293</b>	<b>100</b>	<b>6.839.282</b>	<b>100</b>	<b>9.076.488</b>	<b>100</b>

##### d) Information on non-cash loans classified in groups I and II:

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash Loans</b>	<b>8.196.018</b>	<b>20.989.658</b>	<b>75.154</b>	<b>342.635</b>
Letters of Guarantee	8.161.670	13.480.390	75.154	342.635
Aval and Acceptance Loans	-	33.018	-	-
Letters of credit	20.348	5.053.199	-	-
Turnover	-	-	-	-
Our Guarantees for Purchase in Securities Issue	-	-	-	-
From Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	14.000	2.423.051	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 2. Explanations on derivative transactions:

	Current Period 31.12.2021	Prior Period 31.12.2020
<b>Types of Trading Transactions</b>		
<b>Foreign Currency Related Derivative Transactions: (I)</b>	3.270.985	7.281.799
Forward Foreign Exchange Transactions	1.501.702	2.183.637
Swap Money Exchange Transactions	1.769.283	5.098.162
Futures Money Transactions	-	-
Money Trading Options	-	-
<b>Other Trading Derivative Transactions: (II)</b>	-	-
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>3.270.985</b>	<b>7.281.799</b>
<b>Types of Hedging Derivative Transactions</b>		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Derivative Transactions for Total Hedging Purposes</b>	-	-
<b>Total Derivative Transactions (A + B)</b>	<b>3.270.985</b>	<b>7.281.799</b>

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions, those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized, or expense and income from agreements in the income statement in the current period.

Current Period 31.12.2021	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	1.458	9.225	(90.442)	-	-	(79.759)
- Inflow	298.367	744.421	552.825	-	-	1.595.613
- Outflow	(296.909)	(735.196)	(643.267)	-	-	(1.675.372)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	298.367	744.421	552.825	-	-	1.595.613
<b>Total Outflow</b>	(296.909)	(735.196)	(643.267)	-	-	(1.675.372)

Prior Period 31.12.2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	28.293	(14.906)	838	-	-	14.225
- Inflow	3.090.778	548.603	8.631	-	-	3.648.012
- Outflow	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	3.090.778	548.603	8.631	-	-	3.648.012
<b>Total Outflow</b>	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

##### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

Payment obligation of the Parent Bank due to checks given to its customers is TL 448.457 (31 December 2020: TL 268.625).

As of the balance sheet date, there are no probable contingent liabilities resulting from past events whose amount can be reliably measured.

##### 4. Explanations on services in the name of others:

The Bank provides safe deposit box services on behalf of real and legal persons. The Bank does not provide consultancy and management services.

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS

##### 1. a) Information on profit share received from loans

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	YP
Profit share on loans (*)	3.912.737	804.787	2.650.825	487.882
Short term loans	1.109.447	124.627	688.309	102.573
Medium and long term loans	2.743.086	667.619	1.901.533	377.501
Profit share on non-performing loans	60.204	12.541	60.983	7.808
Premiums received from resource utilization support fund	-	-	-	-

(\*) Includes fees and commissions income on cash loans.

##### b) Information on profit share received from banks

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	2.343	22.086	488
Foreign Banks	-	727	-	1.421
Head Office and Branches	-	-	-	-
Total	-	3.070	22.086	1.909

##### c) Information on profit share income from securities portfolio

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	2.605	19.023	7.457	-
Financial Assets at Fair Value through Other Comprehensive Income	622.760	62.480	525.705	34.947
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	94.465	-	40.460
Total	625.365	175.968	533.162	75.407

##### d) Information on profit share income received from associates and subsidiaries

None (31 December 2020: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

##### 2. a) Information on profit share expense on borrowing

	Current Period 31.12.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Banks	47.048	27.585	100.342	55.051
Central Bank of the Republic of Turkey	-	-	2.428	-
Domestic Banks	33.323	16.756	5.625	39.332
Foreign Banks	13.725	10.829	92.289	15.719
Head Office and Branches	-	-	-	-
Other Institutions	119.587	102.262	-	43.679
<b>Total</b>	<b>166.635</b>	<b>129.847</b>	<b>100.342</b>	<b>98.730</b>

##### b) Information on profit share expense given to associates and subsidiaries

None (31 December 2020: None).

##### c) Information on profit share expense paid to securities issued

Profit share expenses given to securities issued are 327,137 TL (31 December 2020: 327,137 TL).

##### d) Presentation of dividends paid to participation accounts according to maturity structure

Current Period 31.12.2021	Participation Accounts						Cumulative Participation Account	Total
	1 Month	3 Months	6 Months	1 Year	Over 1 Year			
Account Name								
Turkish Lira								
Funds Collected from Banks via Current and Participation Accounts	-	57.829	-	-	-	-	-	57.829
Real Person's Non Commercial Participation Accounts	102.498	693.543	5.776	7.809	34.135	-	-	843.761
Public Sector Participation Accounts	60.337	88.787	22.329	22.150	-	-	-	193.603
Commercial Sector Participation Accounts	188.337	1.331.341	56.678	38.494	15.827	-	-	1.630.677
Other Institutions Participation Accounts	4.794	183.686	10.772	1.357	438	-	-	201.047
<b>Total</b>	<b>355.966</b>	<b>2.355.186</b>	<b>95.555</b>	<b>69.810</b>	<b>50.400</b>	<b>-</b>	<b>-</b>	<b>2.926.917</b>
Foreign Currency								
Funds Collected from Banks via Current and Participation Accounts	6	-	-	-	-	-	-	6
Real Person's Non Commercial Participation Accounts	5.621	64.361	1.117	1.994	24.291	-	-	97.384
Public Sector Participation Accounts	3	8	-	-	-	-	-	11
Commercial Sector Participation Accounts	711	13.731	429	3.520	875	-	-	19.266
Other Institutions Participation Accounts	1.647	59.735	4.197	3.093	112.923	-	-	181.595
Public Sector Participation Accounts	-	8.036	622	116	203	-	-	8.977
<b>Total</b>	<b>7.988</b>	<b>145.871</b>	<b>6.365</b>	<b>8.723</b>	<b>138.292</b>	<b>-</b>	<b>-</b>	<b>307.239</b>
<b>Grand Total</b>	<b>363.954</b>	<b>2.501.057</b>	<b>101.920</b>	<b>78.533</b>	<b>188.692</b>	<b>-</b>	<b>-</b>	<b>3.234.156</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

##### 2. d) Presentation of dividends paid to participation accounts according to maturity structure (Continued)

Prior Period 31.12.2020	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	14	-	-	-	14
Real Person's Non Commercial Participation Accounts	55.456	420.858	5.616	5.466	28.565	515.961
Public Sector Participation Accounts	31.401	42.276	8.558	19.858	5.455	107.548
Commercial Sector Participation Accounts	66.019	537.096	14.481	31.788	25.261	674.645
Other Institutions Participation Accounts	6.020	45.690	8.292	144	58	60.204
<b>Total</b>	<b>158.896</b>	<b>1.045.934</b>	<b>36.947</b>	<b>57.256</b>	<b>59.339</b>	<b>1.358.372</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	4.542	47.680	946	1.315	24.562	79.045
Public Sector Participation Accounts	6	32	-	-	-	38
Commercial Sector Participation Accounts	3.073	47.138	963	2.110	15.132	68.416
Other Institutions Participation Accounts	1	451	1	-	-	453
Public Sector Participation Accounts	2.573	-	-	-	-	2.573
<b>Total</b>	<b>10.195</b>	<b>95.301</b>	<b>1.910</b>	<b>3.425</b>	<b>39.694</b>	<b>150.525</b>
<b>Grand Total</b>	<b>169.091</b>	<b>1.141.235</b>	<b>38.857</b>	<b>60.681</b>	<b>99.033</b>	<b>1.508.897</b>

##### 3. Information on dividend income

As of 31 December 2021, the Bank has no dividend income (31 December 2020: 104).

##### 4. a. Information on trading income/loss (net)

	Current Period 31.12.2021	Prior Period 31.12.2020
<b>Income</b>	<b>8.833.644</b>	<b>13.705.661</b>
Foreign exchange gains	87.306	13.423.821
Gain on derivative financial instruments	92.935	84.275
Gain on capital market transactions	8.653.403	197.565
<b>Losses (-)</b>	<b>8.618.831</b>	<b>13.622.351</b>
Foreign exchange losses	86.280	13.441.463
Losses on derivative financial instruments	158.796	159.863
Losses on capital market transactions	8.373.755	21.025
<b>Net</b>	<b>214.813</b>	<b>83.310</b>

##### b. Information on Profit/Loss on Derivative Financial Operations

	Current Period 31.12.2021	Prior Period 31.12.2020
Effect of the change in exchange rates on profit/loss	(65.861)	(75.588)
<b>Total</b>	<b>(65.861)</b>	<b>(75.588)</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 STATEMENT OF CONSOLIDATED PROFIT OR LOSS (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

	Current Period 31.12.2021	Prior Period 31.12.2020
Correction Account for Previous Years Expenses (*)	528.904	215.301
Income from the Sale of the Asset	8.335	48.060
Provision for Communication Expenses	2.997	953
Checkbook Fees	516	392
Other	10.884	3.438
<b>Total</b>	<b>551.636</b>	<b>268.144</b>

(\*) 290.502 TL of the correction account for previous years' expenses was paid for participation accounts reserve cancellations (31 December 2020 : 114.216 TL), 93.202 TL for securities impairment reserve cancellations (31 December 2020 : None) and 145.201 TL for loan free provision cancellations (31 December 2020: 101.085 TL).

##### 6. Provision expenses for impairment on loans and other receivables

	Current Period 31.12.2021	Prior Period 31.12.2020
Expected Credit Loss	958.562	994.213
12 month expected credit loss (Stage 1)	192.329	124.815
Significant increase in credit risk (Stage 2)	168.067	269.250
Non-performing loans (Stage 3)	598.166	600.148
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities Under Common Control Impairment Provision	-	-
Associates	-	-
Subsidiaries	-	-
Entities Under Common Control (Joint Ventures)	-	-
Other (*)	30.041	173.855
<b>Total</b>	<b>988.603</b>	<b>1.168.068</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(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 STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

##### 7. Information on other operating expenses

	Current Period 31.12.2021	Prior Period 31.12.2020
Reserve for Employee Termination Benefits	7.447	5.620
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	60.799	50.519
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	17.926	14.184
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	178.182	131.289
Leasing Expenses Related to TFRS 16 Exceptions	1.184	584
Maintenance Expenses	23.383	23.158
Advertisement Expenses	54.501	34.332
Other Expenses	99.114	73.215
Loss on Sales of Assets	391	945
Other (*)	127.422	114.375
<b>Total</b>	<b>392.167</b>	<b>316.932</b>

(\*) Of the balance constituting the other item, 68.457 TL (31 December 2020 64.370 TL) consists of SDIF premium and audit and consultancy service expenses, and 35.626 TL (31 December 2020, 39.026 TL) consists of taxes, fees, funds and other service expenses.

##### 8. Fees for Services Received from Independent Auditor / Independent Audit Firm

In accordance with the decision of the POA dated March 26, 2021, the fee information for the reporting period regarding the services received from the independent auditor or independent audit firm is given in the table below over VAT excluded amounts.

##### 9. Information on profit/loss from continued and discontinued operations before taxes

As of 31 December 2021, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 31.12.2021	Prior Period 31.12.2020
Net Profit Share Income	1.514.539	2.068.538
Net Fees and Commissions Income	147.334	92.541
Dividend Income	-	104
Trading Income/Expense (Net)	214.813	83.310
Other Operating Income	551.638	268.144
Expected Loss Provision (-)	958.562	994.213
Other Provision Expense	30.041	173.855
Personnel Expense	317.383	235.155
Other Operating Expenses (-)	392.167	316.932
<b>Income/(Loss) from Continuing Operations</b>	<b>730.171</b>	<b>792.482</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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 STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)**

**10. Information on tax provision for continued and discontinued operations**

As of 31 December 2021, the Group's tax provision expense amounting to TL 171.481 (31 December 2020: TL 153.920) amounting to TL 373.740 (31 December 2020: TL 201.535) is from current tax expense, TL 202.259 (31 December 2020: TL 47.615 expense) amount of it consists of deferred tax expense.

**11. Explanation on net income/loss for the period for continuing and discontinued operations**

The Group's net profit from continuing operations is TL 558.690 (31 December 2020: TL 638.562 net income).

**12. Information on net profit/loss**

**a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period**

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

**b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any**

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

**13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below**

None (31 December 2020: None).

**V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED THE CHANGES IN  
SHAREHOLDERS' EQUITY**

**a) Explanations on Profit Distribution:**

Pursuant to the profit distribution decision taken at the Ordinary General Assembly Meeting of the Parent Bank for the year 2020 held on 31 March 2021, 5% of the balance sheet profit of TL 638.562 for 2020 will be allocated as general legal reserves of TL 31.928 and the remaining TL 606.634 after the distributions will be left within the Bank, which is followed in the profit of previous years; In accordance with the Turkish Financial Reporting Standard, "TFRS-9 Financial Instruments", which started to be implemented as of 1 January 2018, it has been decided to keep the amount of TL 2.568, which is due to the recalculation of the provisions, within the Parent Bank.

As of the preparation date of these consolidated financial reports, no decision has been taken regarding the distribution of the profit of the Parent Bank in 2021.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(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 CONSOLIDATED THE CHANGES IN  
SHAREHOLDERS' EQUITY (Continued)****b) Explanations on Financial Assets at Fair Value through Other Comprehensive Income:**

Information on financial assets at fair value through other comprehensive income is presented in the fifth section, footnote 1.4-b.

**c) Profit Reserves:**

As of the balance sheet date, profit reserves amounted to TL 1.739.171, legal reserves amounted to TL 92.316 extraordinary reserves amounted to TL 1.600.788 and other profit reserves amounted to TL 46.067.

**d) Explanations on Previous Period Profit / Loss:**

As of 31 December 2021, the Group has no prior period profit or loss.

**VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED CASH FLOW  
STATEMENTS****1. Explanations on the "Other" items and "The Effect Of The Change in Foreign Currency on  
Cash and Cash Equivalent" item in the Cash Flow Statement:**

5.319.303 TL of the 1.476.308 TL amount related to the operating profit before the change in the assets and liabilities of the banking activity, mainly from loans and profit share income from securities and financial leases, 3.939.158 TL mostly from deposits and profit share given to loans used. consists of expenses. Other earnings mainly include net fee and commission income and commercial profit and loss income.

The effect of the change in the exchange rate on cash and cash equivalents has been determined as 207.266 TL as of 31 December 2021 (31 December 2020: 1.456.262 TL).

Cash and cash equivalents are defined as cash and cash equivalents, such as cash, effective deposits, free accounts of the Central Bank of the Republic of Turkey, money in transit, purchased bank checks, money market transactions and time deposits with an original maturity of up to 3 months.

**Period opening and end cash and cash equivalents balance:**

	<b>Current Period 31.12.2021</b>	<b>Prior Period 31.12.2020</b>
Cash in TL and in Foreign Currency	1.559.762	279.899
Central Bank of the Republic of Turkey and Other Banks	6.499.696	4.490.864
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>8.059.458</b>	<b>4.770.763</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

- 1) a) Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period

##### Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	540	-	-	-
Balance at end of period	-	-	1.646	-	-	-
Profit share and commission income	-	-	-	-	-	-

##### Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	3.097.903	-	-	-
Balance at end of period	-	-	540	-	-	-
Profit share and commission income	-	-	3.356	-	-	-

- b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
Current and participation accounts						
Balance at the beginning of period	-	-	2.715	59.324	-	-
Balance at the end of period	-	-	-	2.715	-	-
Participation Accounts Profit Share Expenses	-	-	300	21	-	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK (Continued)

##### c) Information on loans taken from the risk group of the Bank

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Credits Received</b>						
Balance at the beginning of period	3.950.000	2.450.000	560.325	791.393	-	-
Balance at the end of period	4.050.000	3.950.000	484.397	560.325	-	-
<b>Dividend Expenses Paid</b>	<b>609.763</b>	<b>329.385</b>	<b>14.156</b>	<b>26.670</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	-	-	2.153.566	2.383.936	-	-
Closing Balance	-	-	1.708.791	2.153.566	-	-
<b>Total Profit/Loss</b>	-	-	<b>863</b>	<b>230.370</b>	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

##### 3) Information on the fees paid to the top management of the bank

The total amount of benefits provided to the Bank's Senior Management is TL 8.285 (31 December 2020: TL 6.104).

#### VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO CONSOLIDATED BALANCE SHEET DATE

None.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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#### SECTION SIX

##### OTHER EXPLANATIONS AND NOTES

#### I. INFORMATION ON THE GROUP'S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 14 December 2020	Note	Explanation
Foreign Currency Long Term Credit Rating	B+	It is very speculative under the investment class
Foreign Currency Short Term Credit Rating	B	It is very speculative under the investment class
Local Currency Long Term Credit Rating	BB-	It is speculative under the investment class.
Local Currency Short Term Credit Rating	B	It is very speculative under the investment class
National Long Term Credit Rating	AA(tur)	It is a high level investment grade.
Support	4	The possibility of external support is limited.

#### II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2021**

(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

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**SECTION SEVEN**

**EXPLANATIONS ON INDEPENDENT AUDIT REPORT**

**I. MATTERS TO BE EXPLAINED ON THE INDEPENDENT AUDITOR’S REPORT**

The consolidated financial statements prepared as of 31 December 2021 and for the fiscal period ending on the same date have been audited by PwC Bağımsız Denetim ve SMMM A.Ş. and presented preceding the consolidated financial statements of independent auditors' report dated 14 February 2022.

**II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.

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**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.**

**FINANCIAL STATEMENTS FOR THE INTERIM PERIOD  
1 JANUARY – 30 JUNE 2023 TOGETHER WITH  
AUDITOR’S REVIEW REPORT**

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND  
RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN  
TURKISH, SEE NOTE. 2.1 OF SECTION NOTE 2)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT  
AUDITOR'S REVIEW REPORT ORIGINALLY ISSUED IN TURKISH**

**REPORT ON REVIEW OF INTERIM  
FINANCIAL INFORMATION**

To the General Assembly of Ziraat Katılım Varlık Kiralama A.Ş.

*Introduction*

We have reviewed the accompanying statement of financial position of Ziraat Katılım Varlık Kiralama A.Ş. (the "Company") as at 30 June 2023 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and summary of significant accounting policies and other explanatory notes. The management of the Company is responsible for the preparation and fair presentation of this interim financial information in accordance with Turkish Accounting Standard 34 ("TAS 34") "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of review*

We conducted our review in accordance with the Standard on Review Engagements ("SRE") 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and the objective of which is to express an opinion on the financial statements. Consequently, a review on the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to conclude that the accompanying interim financial information do not give a true and fair view of the financial position of Ziraat Katılım Varlık Kiralama A.Ş. as at 30 June 2023, and its financial performance and cash flows for the six-month period then ended in accordance with TAS 34.



### **Additional explanation for convenience translation into English**

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 30 June 2023. Accordingly, the accompanying financial statements are not intended to present fairly the financial position and results of operations of the Company in accordance with IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "Zeynep Uras".

Zeynep Uras, SMMM  
Partner

Istanbul, 4 August 2023

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**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDED 30 JUNE 2023**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise specified.)

	Notes	Reviewed 30 June 2023	Audited 31 December 2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4,17	519.173	400.983
Trade Receivables	5	4.962.792.951	5.380.908.855
- <i>Due From Related Parties</i>	17	4.962.792.951	5.380.908.855
Other Current Assets	6	33.178	500
- <i>Other Current Assets from Third Parties</i>		33.178	500
<b>Total Current Assets</b>		<b>4.963.345.302</b>	<b>5.381.310.338</b>
<b>Non-Current Assets</b>			
Other Non-Current Assets	7		
- <i>Other Non-Current Assets from Third Parties</i>	7	1.117	-
<b>Total Non-Current Assets</b>		<b>1.117</b>	<b>-</b>
<b>TOTAL ASSETS</b>		<b>4.963.346.419</b>	<b>5.381.310.338</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-Term Borrowings	8	4.962.579.459	5.380.808.375
- <i>Short-Term Borrowings from Third Parties</i>	8	4.962.579.459	5.380.808.375
- <i>Issued Debt Instruments</i>	8	4.962.579.459	5.380.808.375
Trade Payables	9	144.900	65.298
- <i>Trade Payables to Third Parties</i>	9	144.900	65.298
Current Income Tax Liabilities	10	48.518	5.827
Other Short-Term Liabilities	11	30.188	33.038
- <i>Other Short-Term Liabilities to Third Parties</i>	11	30.188	33.038
<b>Total Current Liabilities</b>		<b>4.962.803.065</b>	<b>5.380.912.538</b>
Paid-in Share Capital	12	50.000	50.000
Restricted Reserves	12	10.000	10.000
- <i>Retained Earnings</i>	12	10.000	10.000
Prior Years' Income	12	337.800	282.717
Profit for the Period		145.554	55.083
<b>Total Equity</b>		<b>543.354</b>	<b>397.800</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4.963.346.419</b>	<b>5.381.310.338</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Notes	Reviewed 1 January - 30 June 2023	Unreviewed 1 April - 30 June 2023	Reviewed 1 January - 30 June 2022	Unreviewed 1 April - 30 June 2022
Revenue	13	572.850.595	302.995.881	349.518.364	171.241.831
Cost of Sales	14	(572.850.595)	(302.995.881)	(349.518.364)	(171.241.831)
<b>GROSS PROFIT</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
General Administrative Expenses	15	(10.985.432)	(5.087.658)	(8.273.894)	(4.567.991)
Other operating income	16	11.179.504	5.202.085	8.320.881	4.560.483
<b>OPERATING PROFIT/(LOSS)</b>		<b>194.072</b>	<b>114.427</b>	<b>46.987</b>	<b>(7.508)</b>
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME (EXPENSE)</b>		<b>194.072</b>	<b>114.427</b>	<b>46.987</b>	<b>(7.508)</b>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</b>		<b>194.072</b>	<b>114.427</b>	<b>46.987</b>	<b>(7.508)</b>
<b>Tax Income (Expense)</b>	10	<b>(48.518)</b>	<b>(28.607)</b>	<b>(11.747)</b>	<b>-</b>
<i>Current Tax (Expense)</i>		<i>(48.518)</i>	<i>(28.607)</i>	<i>(11.747)</i>	<i>-</i>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS FOR THE PERIOD</b>		<b>145.554</b>	<b>85.820</b>	<b>35.240</b>	<b>(7.508)</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>145.554</b>	<b>85.820</b>	<b>35.240</b>	<b>(7.508)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>145.554</b>	<b>85.820</b>	<b>35.240</b>	<b>(7.508)</b>
<b>The Distribution of Total Comprehensive Income</b>		<b>145.554</b>	<b>85.820</b>	<b>35.240</b>	<b>(7.508)</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

	Notes	Paid-in Share Capital	Restricted Reserves	Prior Years' Income	Profit for the Period	Total Equity
<b>1 January 2022</b>	<b>12</b>	<b>50.000</b>	<b>4.745</b>	<b>111.969</b>	<b>176.003</b>	<b>342.717</b>
Transfers		-	5.255	170.748	(176.003)	-
Total comprehensive income		-	-	-	35.240	35.240
<b>30 June 2022</b>	<b>12</b>	<b>50.000</b>	<b>10.000</b>	<b>282.717</b>	<b>35.240</b>	<b>377.957</b>
<b>1 January 2023</b>	<b>12</b>	<b>50.000</b>	<b>10.000</b>	<b>282.717</b>	<b>55.083</b>	<b>397.800</b>
Transfers		-	-	55.083	(55.083)	-
Total comprehensive income		-	-	-	145.554	145.554
<b>30 June 2023</b>	<b>12</b>	<b>50.000</b>	<b>10.000</b>	<b>337.800</b>	<b>145.554</b>	<b>543.354</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

	Notes	Reviewed 1 January - 30 June 2023	Reviewed 1 January - 30 June 2022
<b>A. Cash Flows From Operating Activities:</b>		<b>118.190</b>	<b>(40.233)</b>
<b>Profit for the period</b>		<b>145.554</b>	<b>35.240</b>
Adjustments to reconcile profit for the period to cash generated from operating activities:		<b>48.518</b>	<b>11.747</b>
Adjustments related to profit share	5	(262.579.459)	(91.890.161)
Adjustments related to profit share	5	262.579.459	91.890.161
Adjustments related to tax expenses		48.518	11.747
<b>Changes in working capital</b>		<b>(70.056)</b>	<b>(70.449)</b>
Adjustments related to decrease/(increase) in trade receivables		418.115.904	264.546.744
- <i>Decrease/(Increase) in trade receivables from related parties</i>		<i>418.115.904</i>	<i>264.546.744</i>
Decrease/(Increase) in borrowings from financial sector activities		(418.228.916)	(264.985.976)
Adjustments related to decrease/(increase) in other receivables from activities		(33.794)	(32.891)
Adjustments related to decrease/(increase) in other liabilities from activities		76.750	401.674
<b>Total cash flows from operating activities:</b>		<b>(5.826)</b>	<b>(16.771)</b>
Income received from lease certificate ("sukuk")	13	572.850.595	349.518.364
Expenses paid to lease certificate	14	(572.850.595)	(349.518.364)
Tax payments	10	(5.826)	(16.771)
<b>B. Cash Flows From Investing Activities:</b>		<b>-</b>	<b>-</b>
<b>Net cash from investing activities</b>		<b>-</b>	<b>-</b>
<b>C. Cash Flows From Financing Activities:</b>		<b>-</b>	<b>-</b>
Cash inflows from the issuance of equity and other equity-based instruments		-	-
Cash inflows from borrowings		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>D. Effect of exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Net changes in cash and cash equivalents (A+B+C+D)</b>		<b>118.190</b>	<b>(40.233)</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	<b>4</b>	<b>400.983</b>	<b>365.403</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	<b>4</b>	<b>519.173</b>	<b>325.170</b>

The following explanations and notes constitute an integral part of the financial statements.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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#### 1 - THE ORGANIZATION AND BUSINESS ACTIVITY OF THE COMPANY

Ziraat Katılım Varlık Kiralama A.Ş. ("Company") was established on 22 January 2016, with a fully paid-up capital of 50.000 Turkish Lira, entirely funded by Ziraat Katılım, and with permission granted by the Banking Regulation and Supervision Agency and the Capital Markets Board within the framework of the Capital Markets Board's Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 7 June 2013. The Company was established exclusively for the purpose of issuing lease certificates.

The Company, acting as the representative of the investors from whom it raises funds through the issuance of lease certificates, carries out the following activities in order to achieve its purpose:

- To acquire all kinds of assets and rights in its own name and on behalf of lease certificate holders from the funding institution and lease them to the funding institution or third parties,
- To enter into contracts concerning the management of assets or rights belonging to the funding institution, including but not limited to leasing them for the duration of the lease without transferring ownership,
- To pay or transfer to lease certificate holders, in proportion to their shares, the income derived from the assets and rights underlying the issuance and the collections made from the fund users,
- To transfer the assets and rights subject to the contract to the funding institution or third parties at the end of the term, in the originally agreed conditions if required by the lease certificate issuance, and to pay the sales proceeds to lease certificate holders in proportion to their shares,
- To conduct the activities mentioned above in the interests of investors and in line with the Company's objectives, either with the assets it owns or without taking ownership of assets owned by third parties, and to manage, operate, and legally dispose of these assets in its own name, ensuring their management, and establish in-kind rights in favor of the funding institution or third parties, as permitted by the relevant regulations of the Capital Markets Board,
- To finance the acquisition of assets or rights by purchasing them and selling them to companies of the specified quality, with deferred payments, in accordance with the regulations of the Capital Markets Board and the characteristics specified in the relevant Communiqué,
- To establish new joint ventures based solely or in partnership with other partners on a profit and loss sharing basis, to participate in a joint venture, and to sell partnership shares,
- To act as a contractor, enter into construction contracts, lease and sell works, issue lease certificates based on construction contracts, and arrange other contracts such as service, participation, or land-for-construction to finance the construction of the work,
- To enter into contracts with fund users, funding institutions, authorized/intermediary institutions, and third parties for the purpose of carrying out the aforementioned activities, and to become a party to any commercial agreements and regulations that may be beneficial for its purpose and within the legal framework,

# ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

### 1 - THE ORGANIZATION AND BUSINESS ACTIVITY OF THE COMPANY (Continued)

- To act as the representative or trusted person of lease certificate holders, for the benefit of lease certificate holders, to secure or protect any rights and claims that have arisen or may arise in its favor, or to hedge against risks it may face, by obtaining collateral in the form of all kinds of movable and immovable mortgages (mortgages) and other in-kind and personal guarantees, to assign both existing and future receivables, to obtain guarantees provided by third parties, and to engage in all necessary legal transactions for this purpose,
- To carry out other transactions related to the issuance of lease certificates within the framework of the regulations and decisions of the Capital Markets Board, to make contracts and engage in activities, and to engage in other activities determined by the Capital Markets Board.

In addition to the matters shown above, in the future, the Company may engage in any kind of transactions and activities that are deemed beneficial and necessary within the scope of its purpose and subject to the regulations of the capital markets, provided that the necessary permissions are obtained from the Capital Markets Board.

The company's registered office address is Hobyar Eminönü Mahallesi Hayri Efendi Cad. No:12 Fatih / Istanbul.

As of 30 June 2023, the Company does not have any personnel (31 December 2022: None).

Shareholder's Title	Share Ratio	Number of Shares	Number of Stakes
Ziraat Katılım Bankası A.Ş.	100%	50.000	50.000

### 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### 2.1.1 Declaration of compliance with Turkish Financial Reporting Standards ("TFRS")

The attached financial statements are prepared in accordance with the provisions of the "Communiqué on Principles of Financial Reporting in the Capital Markets" ("Communiqué") numbered II-14.1, published in the Official Gazette numbered 28676 dated 13 June 2013 and published by the Capital Markets Board ("CMB") on Public Oversight, Accounting and it has been prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") put into effect by the Auditing Standards Authority ("POA"). TFRSs; It contains the Standards and Comments published by the POA under the names of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TASI and TFRSI.

In accordance with the provisions of the "Communiqué on Lease Certificates", Series III, numbered 61.1, published in the Official Gazette dated 7 June 2013 and numbered 28670 of the CMB, the assets, rights and liabilities subject to the issuance of each issue of lease certificates, as well as the income to be obtained from them and the expenses to be incurred, are included in the relevant lease certificate. are tracked separately in the accounting records on a basis, and the relevant assets and liabilities, revenues to be obtained and expenses to be incurred are shown as gross in the account items of trade receivables and borrowings in the attached financial position statement, and revenue and cost of sales in the profit or loss and other comprehensive income statement.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

The attached financial statements have been prepared in accordance with Turkish Financial Reporting Standards, including the provisions of TAS 34 Interim Financial Reporting Standard.

The financial statements have been presented in accordance with the Turkish Financial Reporting Standards (TFRS) Taxonomy developed based on financial statement examples specified in the Financial Statements Examples and Usage Guide published in the Official Gazette dated 7 June 2019, and numbered 30794 by the Public Oversight, Accounting, and Auditing Standards Authority (POA).

*Approval of financial statements:*

The financial statements were approved by the Company's Board of Directors on 4 August 2023. It's important to note that both the Company's General Assembly and relevant regulatory authorities have the right to request changes to these financial statements.

*Explanation for convenience translation into English:*

The accounting principles described in Note 2.1.6 (defined as Turkish Financial Reporting Standards) to the interim financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

**2.1.2 Functional and presentation currency**

The financial statements have been presented in the functional currency, which is the primary currency used in the Company's main economic environment. The financial position and results of the Company are expressed in Turkish Lira ("TL"), which is both the functional currency of the Company and the presentation currency for the financial statements. All financial information, unless otherwise specified, is presented in TL. This means that the financial statements have been prepared and reported in TL, and all financial data is presented in TL unless otherwise indicated.

**2.1.3 Comparatives and adjustment of prior periods' financial statements**

The financial statements are prepared in a comparative manner with the previous period in order to assess the financial position, performance, and trends in cash flows of the Company. If the presentation or classification of items in the financial statements has changed to ensure comparability, the previous period financial statements are also reclassified accordingly, and explanations are provided regarding these matters.

**2.1.4 Offsetting**

Financial assets and liabilities are presented on the balance sheet (financial statement) at their net amounts when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.1.5 Going concern**

The company has prepared its financial statements in accordance with the going concern principle.

**2.1.6 Adjustments of financial statements during high inflation periods**

The Public Oversight Authority made a statement on 20 January 2022, regarding the application of the Financial Reporting Standard for High Inflationary Economies ("TAS 29") within the scope of Turkish Financial Reporting Standards. According to this statement, entities applying TFRS are not required to make any adjustments under TAS 29 - Financial Reporting in High Inflationary Economies for their financial statements for the year 2021. As of the date of preparation of these financial statements, no new announcement has been made by the Public Oversight Authority regarding TAS 29, and no inflation adjustment has been applied in accordance with TAS 29 when preparing the financial statements dated 30 June 2023.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

**2.1.7 Changes in accounting policies**

Changes in accounting policies arising from the first-time application of a new TFRS are applied retrospectively in accordance with the transitional provisions of that TFRS, if any. Changes without any transitional provisions, significant changes made on a voluntary basis in accounting policies, or identified accounting errors are retrospectively applied, and the previous period financial statements are restated

**2.1.8 Implementation of new and revised financial reporting standards**

**a. Standards, amendments, and interpretations applicable as of 30 June 2023:**

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **TFRS 17, ‘Insurance Contracts’;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

However, in its letter dated 6 April 2023, sent to the Association of Turkish Insurance, Reinsurance, and Pension Companies, the Public Oversight Accounting and Auditing Standards Authority of Turkey (“POA”) has expressed its opinion that the application of TFRS 17 in the consolidated and individual financial statements of insurance, reinsurance companies, pension companies, banks with investments/partnerships in these companies, and other companies with investments/partnerships in these entities would be appropriate as of 1 January 2024.

- **Amendment to TAS 12 - International tax reform - pillar two model rules;** The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development’s (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

*b. Standards, amendments, and interpretations that are issued but not effective as of 30 June 2023:*

- **Amendment to TAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendments to TAS 7 and TFRS 7 on Supplier finance arrangements; ;** effective from annual periods beginning on or after 1 January 2024. These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the TASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
- **TFRS S1, 'General requirements for disclosure of sustainability-related financial information;** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- **TFRS S2, 'Climate-related disclosures';** effective from annual periods beginning on or after 1 January 2024. This is subject to endorsement of the standards by local jurisdictions. This is the first thematic standard issued that sets out requirements for entities to disclose information about climate-related risks and opportunities.

The company's management will assess the impact of the aforementioned yet-to-be-effective standards and standard changes on their operations and will apply them from the effective date.

2.1.9 Changes in Accounting Estimates and Errors

Changes in accounting estimates are applied prospectively to the current period if they relate to that period only or both the period of change and future periods if they relate to future periods. There have been no significant changes in accounting estimates during the current period for the Company.

2.2 Summary of Significant Accounting Policies

2.2.1 Financial instruments

Loans and receivables

Trade and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are measured at amortized cost using the effective interest rate method, as the contractual cash flows are intended to be collected and the contractual terms meet the criteria to lead to cash flows that include only principal and interest payments on certain dates.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

Financial liabilities

The Company's financial liabilities and equity instruments are classified according to contractual arrangements and the basis on which a financial liability and an equity instrument are defined. The contract representing the right to the remaining assets of the company after deducting all its debts is an equity-based financial instrument.

Financial liabilities are valued at discounted value using the internal rate of return method.

TFRS 9 Financial Instruments

TFRS 9 regulates the provisions regarding the recognition and measurement of financial assets and financial liabilities.

TFRS 9 determines the requirements for the recognition and measurement of financial assets and liabilities and contracts for the purchase or sale of certain non-financial items. Details of significant new accounting policies and the impact and nature of changes in previous accounting policies are set out below.

*i. Classification of financial assets and liabilities*

initial recognition in the financial statements, a financial asset is classified as measured at amortized cost, measured at fair value through other comprehensive income ("OCI") with fair value changes recognized in OCI - debt instruments, measured at fair value through OCI with fair value changes recognized in OCI - equity instruments, or measured at fair value through profit or loss with fair value changes recognized in profit or loss. The classification of financial assets within the scope of TFRS 9 generally depends on the business model used by the entity for managing financial assets and the characteristics of the contractual cash flows of the financial asset. The requirement for the separation of embedded derivatives from financial assets has been eliminated under the standard, and the classification of a hybrid contract as a whole should be assessed.

A financial asset is measured at amortized cost if both of the following conditions are met, and it is not classified as measured at fair value with fair value changes recognized in profit or loss:

- Held within a business model whose objective is to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on specified dates.
- If a financial liability does not meet both of these conditions and is not classified as measured at fair value with fair value changes recognized in profit or loss, fair value changes are recognized in other comprehensive income for the financial liability:
- Held within a business model whose objective is both to collect contractual cash flows and to sell financial assets, and

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

## 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Summary of Significant Accounting Policies (Continued)

- The contractual terms of the financial liability give rise to cash flows that are solely payments of principal and interest on specified dates.

In the initial recognition of investments in equity instruments not held for trading purposes, an irrevocable choice may be made to present subsequent changes in fair value in other comprehensive income. This choice can be made on an investment-by-investment basis.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value with fair value changes recognized in profit or loss. In the initial recognition of financial assets in the financial statements, a financial asset may be designated as measured at fair value through profit or loss, provided that it eliminates or significantly reduces an accounting mismatch resulting from measuring financial assets differently or presenting gains or losses on them differently in the financial statements, and this designation is irrevocable.

In the initial measurement of financial assets other than those for which fair value changes are recognized in profit or loss (except for trade receivables that are measured at initial recognition at transaction price and do not have a significant financing component), transaction costs directly attributable to the acquisition or issuance of these financial assets are also added to their fair value.

The following accounting policies apply to subsequent measurements of financial assets.

<b>Financial assets measured at fair value through profit or loss</b>	These assets are measured at their fair value on subsequent measurements. Net gains and losses relating thereto, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets measured at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. If any, amortized costs are reduced by the amount of impairment losses. Interest income, foreign currency gains and losses and impairment losses are recognized in profit or loss. Gains or losses resulting from their derecognition are recognized in profit or loss.
<b>Debt instruments measured at fair value through other comprehensive income</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairments are recognized in the income statement. Other gains and losses are recognized in other comprehensive income. When financial assets are derecognized from the balance sheet, any previously recognized gains or losses in other comprehensive income are reclassified to the income statement.
<b>Equity instruments at fair value through other comprehensive income</b>	These assets are subsequently measured at fair value. Dividends are recognized in profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

*ii. Impairment of financial assets*

The "Expected Credit Loss" (ECL) model is applied for impairment of financial assets according to TFRS 9. This new impairment model is applicable to financial assets measured at amortized cost, contract assets, and debt instruments measured at fair value through other comprehensive income (OCI). However, it is not applied to investments in equity instruments.

Financial assets measured at amortized cost consist of trade receivables and cash and cash equivalents.

Under TFRS 9, provisions for losses can be measured using any of the following principles:

- 12-month ECLs: This represents the portion of expected credit losses arising from default events that are likely to occur within the 12 months following the reporting date, and
- Lifetime ECLs: These represent expected credit losses arising from default events that are likely to occur throughout the entire expected lifetime of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant to the estimation of expected credit losses, including the effects of expected early payments, and that can be obtained without undue cost or effort. This information includes quantitative and qualitative information and analyses based on the Company's past credit loss experience and forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

**2.2.2 Provisions, Contingent Assets and Liabilities**

A provision is recognized in the financial statements when there is a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the present value of the estimated cash flows required to settle the existing obligation, then the carrying amount of the provision is equal to the present value of those cash flows.

In situations where some or all of the economic benefits required to settle the provision are expected to be reimbursed by third parties, the expected reimbursement is recognized as an asset if it is virtually certain that the reimbursement will be received and can be reliably measured.

**2.2.3 Cash Flow Statement**

In the cash flow statement, cash flows for the period are classified and reported based on main, investing and financing activities.

**2.2.4 Cash and Cash Equivalents**

Cash and cash equivalent items include cash on hand, demand deposits and other short-term investments with high liquidity, with original maturities of 3 months or less from the date of purchase, which can be converted into cash immediately and which do not carry a significant risk of change in value (Note 4).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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## 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Summary of Significant Accounting Policies (Continued)

#### 2.2.5 Taxes on Income

Income tax expense consists of the sum of current tax and deferred tax expense.

##### Current Tax

Current year tax liability is calculated on the taxable portion of the period profit. Taxable profit differs from the profit included in the statement of profit or loss because it excludes items that are taxable or deductible in other years and items that cannot be taxed or deducted. The Company's current tax liability is calculated using the tax rate that has been legalized or substantially legalized as of the balance sheet date (Note 10).

##### Deferred Tax

Deferred tax liability or asset is determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the legal tax base calculation, according to the balance sheet method, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from such differences by obtaining taxable profit in the future. The assets and liabilities in question are not recognized if the temporary difference related to the transaction that does not affect the commercial or financial profit/loss arises from the initial recognition of goodwill or other assets and liabilities (other than business combinations) (Note 10).

#### 2.2.6 Fees, commissions and profit share income and expenses

##### Fee and commission income and expenses

Fees and commissions are generally reflected in the statement of profit or loss on the date they are collected or paid. However, export service commissions are accounted for on an accrual basis.

##### Profit share income and expense

Profit share income and expenses are recognized on an accrual basis in the profit or loss statement of the relevant period.

#### 2.2.7 Events After the Reporting Period

Subsequent events refer to events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they come to light after the announcement of any profit allocation or other selected financial information related to earnings.

In the event that events requiring adjustments to the financial statements arise after the balance sheet date, the Company adjusts the amounts included in the financial statements to reflect this new situation (Note 20).

#### 2.2.8 Related Parties

Related parties are entities or individuals that have the ability to control or significantly influence the other party, either directly or indirectly, through ownership, contractual rights, family relationships, or similar means. This definition includes shareholders and the company's management as related parties. Transactions with related parties involve the transfer of resources and obligations between related entities, whether for consideration or at no cost (Note 17).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.3 Significant Accounting Evaluations, Estimates and Assumptions

The preparation of financial statements involves making estimates and assumptions that affect the amounts of assets, liabilities, income, and expenses reported as of the balance sheet date and during the reporting period. These estimates and assumptions are based on the best judgment and information available to management at the time of preparation. However, actual results may differ from these estimates and assumptions. As of 30 June 2023, the company does not have any significant estimates or assumptions that have a material impact on its financial statements.

#### 3 – SEGMENT REPORTING

Since the company operates in Turkey and only as an asset leasing company, no reporting description is given according to segments.

#### 4 - CASH AND CASH EQUIVALENTS

	30 June 2023	31 December 2022
Banks		
- Private Current Account (*)	519.173	400.983
<b>TOTAL</b>	<b>519.173</b>	<b>400.983</b>

(\*) Cash and cash equivalents consist of special current accounts held with Ziraat Katılım Bankası A.Ş. (Note 17). As of June 30 June 2023, the total amount of cash and cash equivalents is 519.173 TL, all of which is denominated in Turkish Lira (31 December 2022: 400.983 TL).

#### 5 - TRADE RECEIVABLES

	30 June 2023	31 December 2022
	4.700.213.492	5.200.100.480
Trade Receivables from Related Parties		
Profit Share Accruals	262.579.459	180.808.375
<b>TOTAL</b>	<b>4.962.792.951</b>	<b>5.380.908.855</b>

(\*) The company has used the funds obtained from the issuance of lease certificates with the same amount, maturity, and profit-sharing cost to provide funds to Ziraat Katılım Bankası A.Ş. (Note 17).

#### 6 - OTHER CURRENT ASSETS

	30 June 2023	31 December 2022
Other	33.178	500
<b>TOTAL</b>	<b>33.178</b>	<b>500</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - NON-CURRENT ASSETS

	30 June 2023	31 December 2022
Other	1.117	-
<b>TOTAL</b>	<b>1.117</b>	<b>-</b>

#### 8 - BORROWINGS

##### Short Term Borrowings

As of 30 June 2023, and 31 December 2022, the Company's short-term borrowings are as follows:

	30 June 2023	31 December 2022
<b>Issued Debt Instruments</b>	<b>4.700.000.000</b>	<b>5.200.000.000</b>
TRDZKVK72324	800.000.000	-
TRDZKVK72332	800.000.000	-
TRDZKVK82315	600.000.000	-
TRDZKVK92322	600.000.000	-
TRDZKVK72316	500.000.000	-
TRDZKVK52417	500.000.000	-
TRDZKVK92314	500.000.000	-
TRDZKVK82323	400.000.000	-
TRDZKVK32310	-	800.000.000
TRDZKVK32328	-	800.000.000
TRDZKVK22311	-	700.000.000
TRDZKVK32336	-	700.000.000
TRDZKVK12320	-	600.000.000
TRDZKVK72316	-	500.000.000
TRDZKVK12312	-	500.000.000
TRDZKVK12338	-	500.000.000
TRDZKVK42319	-	100.000.000
<b>Profit Share</b>	<b>262.579.459</b>	<b>180.808.375</b>
TRDZKVK72316	112.976.916	-
TRDZKVK72324	44.764.408	-
TRDZKVK72332	37.824.424	-
TRDZKVK82315	24.161.945	-
TRDZKVK82323	14.772.167	-
TRDZKVK52417	12.266.270	-
TRDZKVK92314	9.653.280	-
TRDZKVK92322	6.160.049	-
TRDZKVK32310	-	14.564.715
TRDZKVK32328	-	10.128.858
TRDZKVK22311	-	20.757.521
TRDZKVK32336	-	1.535.002
TRDZKVK12320	-	26.514.323
TRDZKVK72316	-	53.142.965
TRDZKVK12312	-	23.836.683
TRDZKVK12338	-	18.454.437
TRDZKVK42319	-	11.873.871
<b>TOTAL</b>	<b>4.962.579.459</b>	<b>5.380.808.375</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 8 - BORROWINGS (Continued)

##### Sukuk Issuance dated 6 January 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 6 January 2023, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK42327, an annual simple return rate of 20,25%, a maturity of 97 days, and a redemption date of 13 April 2023.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 6 January 2023 are as follows:

1. Income Distribution Amount 13 April 2023	26.907.550
Lease Certificate Fee Payment Amount 13 April 2023	500.000.000

##### Sukuk Issuance dated 17 January 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 17 January 2023, a lease certificate was issued with an ISIN code of TRDZKVK42335, an annual simple return rate of 20,25%, a maturity of 99 days, a redemption date of 26 April 2023, and an amount of 600.000.000 TL.

Details of the income distribution amounts of the sukuk issuance of 600.000.000 TL dated January 17, 2023 are as follows:

1. Income Distribution Amount 26 April 2023	32.954.820
Lease Certificate Fee Payment Amount 26 April 2023	600.000.000

##### Sukuk Issuance dated 27 January 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 27 January 2023, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK52318, an annual simple return rate of 20,50%, a maturity of 98 days, and a redemption date of 5 May 2023.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated January 27, 2023 are as follows:

1. Income Distribution Amount 5 May 2023	27.520.550
Lease Certificate Fee Payment Amount 5 May 2023	500.000.000

##### Sukuk Issuance dated 15 February 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 15 February 2023, a lease certificate was issued in the amount of 700.000.000 TL, with an ISIN code of TRDZKVK52326, an annual simple return rate of 20,75%, a maturity of 92 days, and a redemption date of 18 May 2023.

Details of the income distribution amounts of the 700.000.000 TL sukuk issuance dated 15 February 2023 are as follows:

1. Income Distribution Amount 18 May 2023	36.610.980
Lease Certificate Fee Payment Amount 18 May 2023	700.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 8 - BORROWINGS (Continued)

##### Sukuk Issuance dated 7 March 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 7 March 2023, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVK62317, an annual simple return rate of 22,50%, a maturity of 94 days, and a redemption date of 9 June 2023.

Details of the income distribution amounts of the sukuk issuance of 800.000.000 TL dated March 7, 2023 are as follows:

1. Income Distribution Amount 9 June 2023	46.356.160
Lease Certificate Fee Payment Amount 9 June 2023	800.000.000

##### Sukuk Issuance dated 15 March 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 15 March 2023, a lease certificate was issued in the amount of 1.000.000.000 TL, with an ISIN code of TRDZKVK62325, an annual simple return rate of 22,00%, a maturity of 97 days, and a redemption date of 20 June 2023.

Details of the income distribution amounts of the 1.000.000.000 TL sukuk issuance dated 15 March 2023 are as follows:

1. Income Distribution Amount 20 June 2023	58.465.800
Lease Certificate Fee Payment Amount 20 June 2023	1.000.000.000

##### Sukuk Issuance dated 30 March 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 30 March 2023, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVK72324, an annual simple return rate of 22,00%, a maturity of 92 days, and a redemption date of 7 July 2023.

Details of the income distribution amounts of the sukuk issuance of 800.000.000 TL dated 30 March 2023 are as follows:

1. Income Distribution Amount 7 July 2023	47.736.960
Lease Certificate Fee Payment Amount 7 July 2023	800.000.000

##### Sukuk Issuance dated 13 April 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 13 April 2023, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVK72332, an annual simple return rate of 22,00%, a maturity of 103 days, and a redemption date of 25 July 2023.

Details of the income distribution amounts of the 800.000.000 TL sukuk issuance dated 13 April 2023 are as follows:

1. Income Distribution Amount 25 July 2023	49.665.760
Lease Certificate Fee Payment Amount 25 July 2023	800.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 8 - BORROWINGS (Continued)

##### Sukuk Issuance dated 26 April 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 26 April 2023, a lease certificate was issued in the amount of 600.000.000 TL, with an ISIN code of TRDZKVK82315, an annual simple return rate of 22,50%, a maturity of 100 days, and a redemption date of 4 August 2023.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 26 April 2023 are as follows:

1. Income Distribution Amount 4 August 2023	36.986.280
Lease Certificate Fee Payment Amount 4 August 2023	600.000.000

##### Sukuk Issuance dated 5 May 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 5 May 2023, a lease certificate was issued in the amount of 400.000.000 TL, with an ISIN code of TRDZKVK82323, an annual simple return rate of 24,00%, a maturity of 103 days, and a redemption date of 16 August 2023.

Details of the income distribution amounts of the 400.000.000 TL sukuk issuance dated 5 May 2023 are as follows:

1. Income Distribution Amount 16 August 2023	27.090.400
Lease Certificate Fee Payment Amount 16 August 2023	400.000.000

##### Sukuk Issuance dated 25 May 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 25 May 2023, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK52417, an annual simple return rate of 27,00%, a maturity of 364 days, and a redemption date of 11 November 2022.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 25 May 2023 are as follows:

1. Income Distribution Amount 23 May 2024	134.630.150
Lease Certificate Fee Payment Amount 23 May 2024	500.000.000

##### Sukuk Issuance dated 9 June 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 9 June 2023, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK92314, an annual simple return rate of 33,00%, a maturity of 90 days, and a redemption date of 7 September 2023.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 9 June 2023 are as follows:

1. Income Distribution Amount 7 September 2023	40.684.950
Lease Certificate Fee Payment Amount 7 September 2023	500.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 8 - BORROWINGS (Continued)

##### Sukuk Issuance dated 20 June 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 20 June 2023, a lease certificate was issued in the amount of 600.000.000 TL, with an ISIN code of TRDZKVK92322, an annual simple return rate of 35,50%, a maturity of 99 days, and a redemption date of 27 September 2023.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 20 June 2023 are as follows:

1. Income Distribution Amount 27 September 2023	57.772.620
Lease Certificate Fee Payment Amount 27 September 2023	600.000.000

Fund User	ISIN Code	Issuance Amount	Issuance Date	Redemption date	Maturity	Profit Share
Ziraat Katılım Bankası A.Ş.	TRDZKVK42327	500.000.000,00	06.01.2023	13.04.2023	97	26.907.550,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK42335	600.000.000,00	17.01.2023	26.04.2023	99	32.954.820,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52318	500.000.000,00	27.01.2023	05.05.2023	98	27.520.550,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52326	700.000.000,00	15.02.2023	18.05.2023	92	36.610.980,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK62317	800.000.000,00	07.03.2023	09.06.2023	94	46.356.160,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK62325	1.000.000.000,00	15.03.2023	20.06.2023	97	58.465.800,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK72324	800.000.000,00	30.03.2023	07.07.2023	99	47.736.960,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK72332	800.000.000,00	13.04.2023	25.07.2023	103	49.665.760,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK82315	600.000.000,00	26.04.2023	04.08.2023	100	36.986.280,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK82323	400.000.000,00	05.05.2023	16.08.2023	103	27.090.400,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52417	500.000.000,00	25.05.2023	23.05.2024	364	134.630.150,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK92314	500.000.000,00	09.06.2023	07.09.2023	90	40.684.950,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK92322	600.000.000,00	20.06.2023	27.09.2023	99	57.772.620,00

The lease certificates shown in the list below are held by Ziraat Katılım Varlık Kiralama A.Ş. These are lease certificates issued by and not yet redeemed as of 30 June 2023. Lease certificates are listed according to their remaining maturity. Ziraat Katılım Bankası A.Ş., which is the Fund User within the scope of each lease certificate issuance. In line with the relevant Management Agreement signed with Ziraat Katılım Varlık Kiralama A.Ş., the assets and rights owned by Ziraat Katılım Varlık Kiralama A.Ş. consist of Assets and Rights existing in the Fund User's balance sheet (or to be created with the funds to be obtained from the issue).

Fund User	ISIN Code	Issuance Amount	Issuance Date	Redemption Date	Maturity	Annual Simple Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK72324	800.000.000,00	30.03.2023	07.07.2023	7	22,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK72332	800.000.000,00	13.04.2023	25.07.2023	25	22,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK82315	600.000.000,00	26.04.2023	04.08.2023	35	22,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK82323	400.000.000,00	05.05.2023	16.08.2023	7	24,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK52417	500.000.000,00	25.05.2023	23.05.2024	328	27,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92314	500.000.000,00	09.06.2023	07.09.2023	69	33,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92322	600.000.000,00	20.06.2023	27.09.2023	89	35,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92310	600.000.000,00	07.07.2023	13.10.2023	105	26,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92328	900.000.000,00	25.07.2023	31.10.2023	123	26,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92312	1.000.000.000,00	04.08.2023	10.11.2023	133	27,00%

Assets and Rights; In accordance with Article 19(1)(ç) of the Regulation on Banks' Credit Transactions published by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 1 November 2016 and numbered 26333, it is one of the financing methods of participation banks and is provided by the Bank to Individual/Corporate It refers to financing transactions and financial leasing transactions that will be made available or have been made available to customers on behalf of the Asset Leasing Company.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 9 - TRADE PAYABLES

	30 June 2023	31 December 2022
Trade Payables to Third Parties	144.900	65.298
<b>TOTAL</b>	<b>144.900</b>	<b>65.298</b>

#### 10 - TAX ASSETS AND LIABILITIES

The company is subject to the tax legislation and practices in effect in Turkey. The corporate income tax rate was determined as 20% as of 1 January 2006, in accordance with the Corporate Income Tax Law No. 5520, published in the Official Gazette dated 21 June 2006, and numbered 26205.

However, as per Article 25 of Law No. 7394 published in the Official Gazette dated 15 April 2022, and numbered 31810, the corporate tax rate has been set at 25% for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies. This provision came into effect on 15 April 2022, for corporate earnings of the 2022 tax assessment period. This change is applicable starting from 1 July 2022, for tax returns to be submitted, covering periods beginning on 1 January 2022. Therefore, as of 30 June 2023, a corporate tax rate of 25% has been applied in the financial statements.

As per the "Law on the Abolition of Additional Motor Vehicle Tax for the Compensation of Economic Losses Resulting from the Earthquakes on 6/2/2023, and Amendments to Some Laws and Decree Laws No. 375," published in the Official Gazette dated July 15, 2023, the corporate tax rate has been increased from 25% to 30% for banks, financial leasing, factoring, financing, and savings finance companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies. For other companies, the corporate tax rate, which was previously 20%, has been raised to 25%. This change in tax rates will apply to earnings generated by companies in the 2023 tax year and subsequent tax assessment periods.

The law amending the Tax Procedure Law and the Corporate Tax Law, numbered 7532, was enacted on 20 January 2022. It has been decided that financial statements, including interim accounting periods, will not be subject to inflation adjustment, regardless of whether the conditions for the Multiple Article 298 apply, for the 2021 and 2022 accounting periods, as well as for the provisional tax periods of 2023. In accordance with Law No. 7352, inflation adjustment will be applied to financial statements as of 31 December 2023. Any profit/loss differences arising from this inflation adjustment will be shown in the profit/loss account of previous years and will not be subject to taxation.

The company is subject to the tax legislation and practices in force in Turkey.

According to the Corporate Tax Law, tax losses shown on the tax return can be deducted from the taxable income of the period, provided that they do not exceed 5 years. Tax returns and relevant accounting records can be audited by the tax authority within five years, and tax calculations can be revised.

Details of the Company's tax liability as of 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Current income tax liabilities	48.518	5.827
<b>Tax Liabilities</b>	<b>48.518</b>	<b>5.827</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 10 - TAX ASSETS AND LIABILITIES (Continued)

Tax expense details for the periods ending 30 June 2023 and 31 December 2022 are as follows:

	30 June 2023	31 December 2022
Tax Expense	48.518	18.361
<b>Total</b>	<b>48.518</b>	<b>18.361</b>

As of 30 June 2023, the remaining amount after netting the corporate income tax provision and paid corporate income tax is recorded in the "tax liability for the period" account within the "current tax liabilities" or "assets related to current-year taxes" account.

	30 June 2023	31 December 2022
Current Year Corporate Tax Expense	48.518	18.361
Taxes Paid (-)	-	(12.534)
<b>Current Tax Liabilities</b>	<b>48.518</b>	<b>5.827</b>

As of 30 June 2023, the Company has no deferred tax assets or liabilities (31 December 2022: None.).

#### 11 - OTHER LIABILITIES

	30 June 2023	31 December 2022
<i>Other Current Liabilities</i>		
VAT Payable	13.334	8.731
Income Tax Payable	13.087	22.693
Income Withholdings Payable	1.531	763
Stamp Duty Payable	2.236	851
<b>TOPLAM</b>	<b>30.188</b>	<b>33.038</b>

#### 12 - EQUITY

As of 30 June 2023, the paid-in share capital of the Company is 50.000 TL, consisting of 50.000 shares with a nominal value of 1 TL each (31 December 2022: 50.000 TL). The Company does not have preferred shares as of 30 June 2023 (31 December 2022: None).

The legal capital and partnership structure of the Company is as follows:

	30 June 2023		31 December 2022	
	Paid-in Share Capital	Partnership Structure	Paid-in Share Capital	Partnership Structure
Ziraat Katılım Bankası A.Ş.	50.000	100%	50.000	100%

#### *Restricted Reserves*

The Company has profit reserves of 10.000 TL (31 December 2022: 10.000 TL).

#### *Prior Years' Income*

The Company has 337.800 TL of prior years' income (31 December 2022: 282.717 TL).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 13 - REVENUE

	30 June 2023	30 June 2022
Profit Share Income	572.850.595	349.518.364
<b>TOTAL</b>	<b>572.850.595</b>	<b>349.518.364</b>

(\*) The company includes its profit share income derived from the utilization of funds it obtained from the issuance of lease certificates to Ziraat Katılım Bankası A.Ş., with the same amount, maturity, and profit-sharing cost.

#### 14 - COST OF SALES

	30 June 2023	30 June 2022
Profit Share Expenses	572.850.595	349.518.364
<b>TOTAL</b>	<b>572.850.595</b>	<b>349.518.364</b>

The details of profit share expenses paid for lease certificates issued for the periods ending on 30 June 2023 are as follows:

	30 June 2023	30 June 2022
TRDZKVK42327	26.907.550	-
TRDZKVK42335	32.954.820	-
TRDZKVK52318	27.520.550	-
TRDZKVK52326	36.610.980	-
TRDZKVK62317	46.356.160	-
TRDZKVK62325	58.465.800	-
TRDZKVK72324	44.764.408	-
TRDZKVK42319	4.490.507	-
TRDZKVK72332	37.824.424	-
TRDZKVK82315	24.161.945	-
TRDZKVK82323	14.772.167	-
TRDZKVK52417	12.266.270	-
TRDZKVK92314	9.653.280	-
TRDZKVK92322	6.160.049	-
TRDZKVK72316	59.833.952	-
TRDZKVK12312	1.387.967	-
TRDZKVK12320	5.441.857	-
TRDZKVK12338	7.343.513	-
TRDZKVK22311	18.826.009	-
TRDZKVK32310	29.468.165	-
TRDZKVK32328	33.005.383	-
TRDZKVK32336	34.634.839	-
TRDZKVK42228	-	32.219.160
TRDZKVK42236	-	26.178.100
TRDZKVK52219	-	25.104.100
TRDZKVK62226	-	27.780.840
TRDZKVK62234	-	18.173.160
TRDZKVK62242	-	18.150.120
TRDZKVK72217	-	24.284.437
TRDZKVK42319	-	3.579.346
TRDZKVK72225	-	21.394.939
TRDZKVK82216	-	14.928.489
TRDZKVK82224	-	13.842.520
TRDZKVK92215	-	9.260.773
TRDZKVK92223	-	3.842.237
TRDZKVK92211	-	757.419
TRDZKVK12213	-	1.795.597
TRDZKVK32211	-	20.354.042
TRDZKVK12221	-	4.473.093
TRDZKVK22212	-	6.143.353
TRDZKVK22220	-	14.178.093
TRDZKVK32229	-	10.541.268
TRDZKVK62218	-	19.704.008
TRDZKVK32237	-	14.358.772
TRDZKVK42210	-	18.474.498
<b>TOTAL</b>	<b>572.850.595</b>	<b>349.518.364</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 15 - GENERAL ADMINISTRATIVE EXPENSES

	30 June 2023	30 June 2022
Issuance Related Expenses	10.730.722	8.149.994
Board Member Attendance Allowance Expenses	192.305	72.708
Audit and Consultancy Expenses	37.014	22.322
Stamp Duty	5.499	2.228
Rent Expenses	3.600	2.100
Chamber of Commerce Registration Expenses	1.466	11.595
Notary Registration Expenses	1.426	3.588
Other Miscellaneous Expenses	13.400	9.359
<b>TOTAL</b>	<b>10.985.432</b>	<b>8.273.894</b>

#### 16 - OTHER OPERATING INCOME

	30 June 2023	30 June 2022
Service Commission Income (*)	11.179.504	8.320.881
<b>TOTAL</b>	<b>11.179.504</b>	<b>8.320.881</b>

(\*) The costs related to issuances incurred for Ziraat Katılım Bankası A.Ş. consist of accounting processes for reflection.

#### 17 - RELATED PARTIES

- 1) As of 30 June 2023, and 31 December 2022, the details of receivables and payables from related parties are as follows:

##### Cash and Cash Equivalents

	30 June 2023	31 December 2022
-Ziraat Katılım Bankası A.Ş (Note 4)	519.173	400.983
<b>TOTAL</b>	<b>519.173</b>	<b>400.983</b>

##### Trade Receivables

	30 Haziran 2023	31 Aralık 2022
-Ziraat Katılım Bankası A.Ş (Note 5)	4.962.792.951	5.380.908.855
<b>TOTAL</b>	<b>4.962.792.951</b>	<b>5.380.908.855</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 17 - RELATED PARTIES (Continued)

- 2) As of 30 June 2023, and 30 June 2022, the details of income and expenses from related parties are as follows:

##### Income from Related Party Transactions

	30 June 2023	30 June 2022
-Ziraat Katılım Bankası A.Ş –Profit Sahre Income	572.850.595	349.518.364
-Ziraat Katılım Bankası A.Ş - Service Commission Income	11.179.504	8.320.881
<b>TOTAL</b>	<b>584.030.099</b>	<b>357.839.245</b>

#### 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

##### 18.1 Equity Related Risks

The Company aims to increase its profits by maintaining a balance between debt and equity while conducting its activities.

##### 18.2. Financial Risks

The company is exposed to credit risk and liquidity risk due to its activities.

##### 18.2.1 Credit Risk

The financial instruments held by the Company include counterparty credit risk due to the counterparty's failure to fulfill the terms of the agreement.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### Credit risks exposed by financial instrument types

30 June 2023	Receivables					Deposits in Banks
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposed as of balance sheet date 30 June 2023	4.962.792.951	-	-	33.178	519.173	
- The part of maximum risk under guarantee with collaterals etc.	-	-	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	4.962.792.951	-	-	33.178	519.173	
B. The net book value of financial assets that have had their terms renegotiated, otherwise, they would be considered past due or impaired	-	-	-	-	-	
C. Net book value of financial assets past due but not impaired	-	-	-	-	-	
- The portion secured by collateral, etc.	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	
- Not overdue (Gross carrying amount)	-	-	-	-	-	
- Impairment	-	-	-	-	-	
- The part under guarantee with collaterals, etc.	-	-	-	-	-	
- Overdue (Gross carrying amount)	-	-	-	-	-	
- Impairment	-	-	-	-	-	
E. Off-balance sheet items	-	-	-	-	-	

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

31 December 2022	Receivables					Deposits in Banks
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposed as of balance sheet date 31 December 2022	5.380.908.855	-	-	500	400.983	
- The part of maximum risk under guarantee with collaterals etc.	-	-	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	5.380.908.855	-	-	500	400.983	
B. The net book value of financial assets that have had their terms renegotiated, otherwise, they would be considered past due or impaired	-	-	-	-	-	
C. Net book value of financial assets past due but not impaired	-	-	-	-	-	
- The portion secured by collateral, etc.	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	
- Not overdue (Gross carrying amount)	-	-	-	-	-	
- Impairment	-	-	-	-	-	
- The part under guarantee with collaterals, etc.	-	-	-	-	-	
- Overdue (Gross carrying amount)	-	-	-	-	-	
- Impairment	-	-	-	-	-	
E. Off-balance sheet items	-	-	-	-	-	

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 18 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### 18.2.2 Liquidity Risk

Management of liquidity risk is the responsibility of the company's Board of Directors. The board of directors has established an appropriate liquidity risk management structure for the liquidity requirements of the company. The company manages its liquidity risk by regularly monitoring it and ensuring adequate levels of funds and borrowing reserves by matching the maturities of financial assets and liabilities.

##### Liquidity Risk Table

30 June 2023	Up to 1 month	1 to 12 months	1 to and 5 years	Demand	Total
Cash and cash equivalents	-	-	-	519.173	519.173
Trade Receivables	-	4.962.792.951	-	-	4.962.792.951
Other Current Assets	-	33.178	1.117	-	34.295
<b>Total Assets</b>	-	<b>4.962.826.129</b>	<b>1.117</b>	<b>519.173</b>	<b>4.963.346.419</b>
Lease Certificates Issued	-	4.962.579.459	-	-	4.962.579.459
Other Liabilities	144.900	78.706	-	543.354	766.960
<b>Total Liabilities</b>	<b>144.900</b>	<b>4.962.658.165</b>	-	<b>543.354</b>	<b>4.963.346.419</b>
<b>Liquidity Risk</b>	<b>(144.900)</b>	<b>167.964</b>	<b>1.117</b>	<b>(24.181)</b>	<b>-</b>

31 December 2022	Up to 1 month	1 to 12 months	1 to and 5 years	Demand	Total
Cash and cash equivalents	-	-	-	400.983	400.983
Trade Receivables	-	5.380.908.855	-	-	5.380.908.855
Other Current Assets	500	-	-	-	500
<b>Total Assets</b>	<b>500</b>	<b>5.380.908.855</b>	-	<b>400.983</b>	<b>5.381.310.338</b>
Lease Certificates Issued	-	5.380.808.375	-	-	5.380.808.375
Other Current Liabilities	65.298	38.865	-	397.800	501.963
<b>Total Liabilities</b>	<b>65.298</b>	<b>5.380.847.240</b>	-	<b>397.800</b>	<b>5.381.310.338</b>
<b>Liquidity Risk</b>	<b>(64.798)</b>	<b>61.615</b>	-	<b>3.183</b>	<b>-</b>

##### 18.3 Market Risk

The company is not exposed to market risk since it has no foreign currency assets and liabilities and no purchase or sale commitments.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 19 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

	<b>Book value 30 June 2023</b>	<b>Fair value 30 June 2023</b>
<u>Financial Assets</u>		
<i>Tarife Receivables from Related Parties</i>	4.962.792.951	4.962.792.951
<u>Financial Obligations</u>		
<i>Short-Term Borrowings from Third Parties</i>	4.962.579.459	4.962.579.459

	<b>Book value 31 December 2022</b>	<b>Fair value 31 December 2022</b>
<u>Financial Assets</u>		
<i>Tarife Receivables from Related Parties</i>	5.380.908.855	5.380.908.855
<u>Financial Obligations</u>		
<i>Short-Term Borrowings from Third Parties</i>	5.380.808.375	5.380.808.375

It is assumed that there is no significant difference between the fair value and book value of financial assets and liabilities due to their short-term nature.

#### 20 - EVENTS AFTER THE REPORTING PERIOD

As of 15 July 2023, with the publication of Law No. 7456 in the Official Gazette No. 32249, the general corporate income tax rate for financial and insurance companies, including banks, has been increased from 25% to 30%. These corporate tax rate changes are effective from 1 October 2023, for tax returns to be submitted and from 1 January 2023, for tax years in which they will apply. There is no impact on the financial statements as of the balance sheet date.

The company issued sukuk on 7 July 2023, 25 July 2023 and 4 August 2023, and the details are as follows.:

##### Sukuk Issuance dated 7 July 2023

Ziraat Katılım Varlık Kiralama A.Ş. issued a lease certificate with the code TRDZKVKKE2310 on 7 July 2023, with a simple annual return rate of 26,50%, a maturity of 98 days, a redemption date of 13 October 2023, and an amount of 600.000.000 TL.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 7 July 2023 are as follows:

1. Income Distribution Amount 13 October 2023	42.690.420
Lease Certificate Fee Payment Amount 13 October 2023	600.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 30 JUNE 2023

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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#### 20 - EVENTS AFTER THE REPORTING PERIOD (Continued)

##### Sukuk Issuance dated 25 July 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 25 July 2023, a lease certificate was issued with the code TRDZKVKE2328, an annual simple return rate of 26,50%, a maturity of 98 days, a redemption date of 31 October 2023, and an amount of 900.000.000 TL.

Details of the income distribution amounts of the 900.000.000 TL sukuk issuance dated 25 July 2023 are as follows:

1. Income Distribution Amount 31 October 2023	64.035.630
Lease Certificate Fee Payment Amount 31 October 2023	900.000.000

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##### Sukuk Issuance dated 4 August 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 4 August 2023, a lease certificate was issued with the code TRDZKVKK2312, an annual simple return rate of 27,00%, a maturity of 98 days, a redemption date of 10 November 2023, and an amount of 1.000.000.000 TL.

Details of the income distribution amounts of the 1.000.000.000 TL sukuk issuance dated 4 August 2023 are as follows:

1. Income Distribution Amount 10 November 2023	72.493.200
Lease Certificate Fee Payment Amount 10 November 2023	1.000.000.000

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**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.**

**FINANCIAL STATEMENTS AT 31 DECEMBER 2022  
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND  
RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN  
TURKISH, SEE NOTE. 2.1 OF SECTION NOTE 2)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REPORT  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR’S REPORT**

To the General Assembly of Ziraat Katılım Varlık Kiralama A.Ş.

**A. Audit of the financial statements**

**1. Our opinion**

We have audited the accompanying financial statements of Ziraat Katılım Varlık Kiralama A.Ş. (the “Company”) which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

**2. Basis for opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key audit matters**

No matters have been determined to be the key audit matters to be communicated in our report.



#### **4. Responsibilities of management and those charged with governance for the financial statements**

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **5. Auditor's responsibilities for the audit of the financial statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**B. Other responsibilities arising from regulatory requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code (“TCC”) No. 6102 and that causes us to believe that the Company’s bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company’s articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

**Additional explanation for convenience translation into English**

Turkish Financial Reporting Standards differ from International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board with respect to the application of IAS 29 - Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying financial statements are not intended to present fairly the financial position and results of operations of the Company in accordance with IFRS.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Zeynep Uras, SMMM  
Partner

Istanbul, 10 February 2023

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**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED  
31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise specified.)

	Notes	Audited 31.12.2022	Audited 31.12.2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4,16	400.983	365.403
Trade Receivables	5	5.380.908.855	4.156.952.833
-Trade Receivables from Related Parties	16	5.380.908.855	4.156.952.833
Other Current Assets	6	500	13.565
-Other Current Assets from Related Parties	6,16	-	12.500
-Other Current Assets from Third Parties		500	1.065
<b>Total Current Assets</b>		<b>5.381.310.338</b>	<b>4.157.331.801</b>
<b>TOTAL ASSETS</b>		<b>5.381.310.338</b>	<b>4.157.331.801</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-Term Borrowings	7	5.380.808.375	4.156.876.137
-Short-Term Borrowings from Third Parties	7	5.380.808.375	4.156.876.137
-Issued Debt Instruments	7	5.380.808.375	4.156.876.137
Trade Payables	8	65.298	76.696
-Trade Payables to Related Parties		-	-
-Trade Payables to Third Parties		65.298	76.696
Current Income Tax Liabilities	9	5.827	16.771
Other Current Liabilities	10	33.038	19.480
-Other Current Liabilities to Related Parties	10,16	-	12.500
-Other Current Liabilities to Third Parties	10	33.038	6.980
<b>Total Current Liabilities</b>		<b>5.380.912.538</b>	<b>4.156.989.084</b>
Paid-in Share Capital	11	50.000	50.000
Restricted Reserves	11	10.000	4.745
- Retained Earnings		10.000	4.745
Prior Years Income	11	282.717	111.969
Profit for the period		55.083	176.003
<b>Total Equity</b>		<b>397.800</b>	<b>342.717</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>5.381.310.338</b>	<b>4.157.331.801</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Notes	Audited 01/01/2022- 31/12/2022	Audited 01/01/2021- 31/12/20 1
Revenue	12	851.131.611	606.587.851
Cost of Sales	13	(851.131.611)	(606.587.851)
<b>GROSS PROFIT</b>		<b>-</b>	<b>-</b>
General Administrative Expenses	14	(19.585.401)	(13.699.707)
Other operating income	15	19.658.845	13.934.378
<b>OPERATING PROFIT/(LOSS)</b>		<b>73.444</b>	<b>234.671</b>
<b>OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME (EXPENSE)</b>		<b>73.444</b>	<b>234.671</b>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</b>		<b>73.444</b>	<b>234.671</b>
<b>Tax Income/(Expense)</b>	<b>9</b>	<b>(18.361)</b>	<b>(58.668)</b>
<i>Current Tax Income/(Expense)</i>		<i>(18.361)</i>	<i>(58.668)</i>
<b>PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>55.083</b>	<b>176.003</b>
<b>PROFIT/(LOSS) FOR THE PERIOD</b>		<b>55.083</b>	<b>176.003</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>		<b>55.083</b>	<b>176.003</b>
<b>EQUITY HOLDERS OF THE PARENT</b>		<b>55.083</b>	<b>176.003</b>

The following explanations and notes constitute an integral part of the financial statements.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

	Notes	Paid-in Share Capital	Restricted reserves	Prior Years Income	Profit for the Period	Total equity
<b>1 January 2021</b>	<b>11</b>	<b>50.000</b>	<b>-</b>	<b>21.836</b>	<b>94.878</b>	<b>166.714</b>
Transfers		-	4.745	90.133	(94.878)	-
Total comprehensive income		-	-	-	176.003	176.003
<b>31 December 2021</b>	<b>11</b>	<b>50.000</b>	<b>4.745</b>	<b>111.969</b>	<b>176.003</b>	<b>342.717</b>
<b>1 January 2022</b>	<b>11</b>	<b>50.000</b>	<b>4.745</b>	<b>111.969</b>	<b>176.003</b>	<b>342.717</b>
Transfers		-	5.255	170.748	(176.003)	-
Total comprehensive income		-	-	-	55.083	55.083
<b>31 December 2022</b>	<b>11</b>	<b>50.000</b>	<b>10.000</b>	<b>282.717</b>	<b>55.083</b>	<b>397.800</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

	Notes	Audited 01/01/2022- 31/12/2022	Audited 01/01/2021 - 31/12/2021
<b>A. Cash flows from operating activities:</b>		<b>35.580</b>	<b>134.025</b>
<b>Profit for the period</b>		<b>55.083</b>	<b>176.003</b>
<b>Adjustments to reconcile profit for the period to cash generated from operating activities:</b>		<b>18.361</b>	<b>58.668</b>
Adjustments related to profit share income	5	(180.808.375)	(106.904.953)
Adjustments related to profit share expenses	5	180.808.375	106.904.953
Adjustments related to tax expenses		18.361	58.668
<b>Changes in working capital</b>		<b>(8.562)</b>	<b>(43.098)</b>
Adjustments related to decrease/(increase) in trade receivables		(1.223.956.022)	(143.203.136)
- Decrease/(Increase) in trade receivables from related parties		(1.223.956.022)	(143.203.136)
Decrease/(Increase) in borrowings from financial sector activities		1.223.932.238	143.126.425
Adjustments related to decrease/(increase) in other receivables from activities		13.064	(13.565)
Adjustments related to decrease/(increase) in other liabilities from activities		2.158	47.178
<b>Total cash flows from operating activities:</b>		<b>(29.302)</b>	<b>(57.548)</b>
Income received lease certificate ("sukuk")	12	851.131.611	606.587.851
Expenses paid to lease certificate	13	(851.131.611)	(606.587.851)
Tax payments	9	(29.302)	(57.548)
<b>B. Cash flows from investing activities:</b>		<b>-</b>	<b>-</b>
<b>Net cash flows from investing activities</b>		<b>-</b>	<b>-</b>
<b>C. Cash flows from financing activities:</b>		<b>-</b>	<b>-</b>
Cash inflows from the issuance of equity and other equity-based instruments		-	-
Cash inflows from borrowings		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>D. Effect of exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Net changes in cash and cash equivalents (A+B+C+D)</b>		<b>35.580</b>	<b>134.025</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	<b>4</b>	<b>365.403</b>	<b>231.378</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	<b>4</b>	<b>400.983</b>	<b>365.403</b>

The following explanations and notes constitute an integral part of the financial statements.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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#### 1 - THE ORGANIZATION AND BUSINESS ACTIVITY OF THE COMPANY

Ziraat Katılım Varlık Kiralama A.Ş. ("Company") was established on 22 January 2016, with a fully paid-up capital of 50.000 Turkish Lira, entirely funded by Ziraat Katılım, and with permission granted by the Banking Regulation and Supervision Agency and the Capital Markets Board within the framework of the Capital Markets Board's Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 7 June 2013.

The Company was established exclusively for the purpose of issuing lease certificates. The Company, acting as the representative of the investors from whom it raises funds through the issuance of lease certificates, carries out the following activities in order to achieve its purpose:

- To acquire all kinds of assets and rights in its own name and on behalf of lease certificate holders from the funding institution and lease them to the funding institution or third parties,
- To enter into contracts concerning the management of assets or rights belonging to the funding institution, including but not limited to leasing them for the duration of the lease without transferring ownership,
- To pay or transfer to lease certificate holders, in proportion to their shares, the income derived from the assets and rights underlying the issuance and the collections made from the fund users,
- To transfer the assets and rights subject to the contract to the funding institution or third parties at the end of the term, in the originally agreed conditions if required by the lease certificate issuance, and to pay the sales proceeds to lease certificate holders in proportion to their shares,
- To conduct the activities mentioned above in the interests of investors and in line with the Company's objectives, either with the assets it owns or without taking ownership of assets owned by third parties, and to manage, operate, and legally dispose of these assets in its own name, ensuring their management, and establish in-kind rights in favor of the funding institution or third parties, as permitted by the relevant regulations of the Capital Markets Board,
- To finance the acquisition of assets or rights by purchasing them and selling them to companies of the specified quality, with deferred payments, in accordance with the regulations of the Capital Markets Board and the characteristics specified in the relevant Communiqué,
- To establish new joint ventures based solely or in partnership with other partners on a profit and loss sharing basis, to participate in a joint venture, and to sell partnership shares,
- To act as a contractor, enter into construction contracts, lease and sell works, issue lease certificates based on construction contracts, and arrange other contracts such as service, participation, or land-for-construction to finance the construction of the work,
- To enter into contracts with fund users, funding institutions, authorized/intermediary institutions, and third parties for the purpose of carrying out the aforementioned activities, and to become a party to any commercial agreements and regulations that may be beneficial for its purpose and within the legal framework,

# ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

### 1 - THE ORGANIZATION AND BUSINESS ACTIVITY OF THE COMPANY (Continued)

- To act as the representative or trusted person of lease certificate holders, for the benefit of lease certificate holders, to secure or protect any rights and claims that have arisen or may arise in its favor, or to hedge against risks it may face, by obtaining collateral in the form of all kinds of movable and immovable mortgages (mortgages) and other in-kind and personal guarantees, to assign both existing and future receivables, to obtain guarantees provided by third parties, and to engage in all necessary legal transactions for this purpose,
- To carry out other transactions related to the issuance of lease certificates within the framework of the regulations and decisions of the Capital Markets Board, to make contracts and engage in activities, and to engage in other activities determined by the Capital Markets Board.

In addition to the matters shown above, in the future, the Company may engage in any kind of transactions and activities that are deemed beneficial and necessary within the scope of its purpose and subject to the regulations of the capital markets, provided that the necessary permissions are obtained from the Capital Markets Board.

The company's registered office address is Hobyar Eminönü Mahallesi Hayri Efendi Cad. No:12 Fatih / Istanbul.

As of 31 December 2022, the Company does not have any personnel (31 December, 2021: None).

Shareholder's Title	Share Ratio	Number of Shares	Number of Stakes
Ziraat Katılım Bankası A.Ş.	100%	50.000	50.000

### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of presentation

##### 2.1.1 Declaration of compliance with Turkish Financial Reporting Standards ("TFRS")

The attached financial statements are prepared in accordance with the provisions of the "Communiqué on Principles of Financial Reporting in the Capital Markets" ("Communiqué") numbered II-14.1, published in the Official Gazette numbered 28676 dated 13 June 2013 and published by the Capital Markets Board ("CMB") on Public Oversight, Accounting and it has been prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") put into effect by the Auditing Standards Authority ("POA"). TFRSs; It contains the Standards and Comments published by the POA under the names of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TASI and TFRSI.

In accordance with the provisions of the "Communiqué on Lease Certificates", Series III, numbered 61.1, published in the Official Gazette dated 7 June 2013 and numbered 28670 of the CMB, the assets, rights and liabilities subject to the issuance of each issue of lease certificates, as well as the income to be obtained from them and the expenses to be incurred, are included in the relevant lease certificate. are tracked separately in the accounting records on a basis, and the relevant assets and liabilities, revenues to be obtained and expenses to be incurred are shown as gross in the account items of trade receivables and borrowings in the attached financial position statement, and revenue and cost of sales in the profit or loss and other comprehensive income statement.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of presentation (Continued)**

The financial statements have been presented in accordance with the Turkish Financial Reporting Standards (TFRS) Taxonomy developed based on financial statement examples specified in the Financial Statements Examples and Usage Guide published in the Official Gazette dated 7 June 2019, and numbered 30794 by the Public Oversight, Accounting, and Auditing Standards Authority (POA).

*Approval of financial statements:*

The financial statements were approved by the Company's Board of Directors on 10 February 2023. It's important to note that both the Company's General Assembly and relevant regulatory authorities have the right to request changes to these financial statements.

*Explanation for convenience translation into English:*

The accounting principles described in Note 2.1.6 (defined as Turkish Financial Reporting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, classification of some income statement items and also for certain disclosure requirements of the POA.

**2.1.2 Functional and presentation currency**

The financial statements have been presented in the functional currency, which is the primary currency used in the Company's main economic environment. The financial position and results of the Company are expressed in Turkish Lira ("TL"), which is both the functional currency of the Company and the presentation currency for the financial statements. All financial information, unless otherwise specified, is presented in TL. This means that the financial statements have been prepared and reported in TL, and all financial data is presented in TL unless otherwise indicated.

**2.1.3 Comparatives and adjustment of prior periods' financial statements**

The financial statements are prepared in a comparative manner with the previous period in order to assess the financial position, performance, and trends in cash flows of the Company. If the presentation or classification of items in the financial statements has changed to ensure comparability, the previous period financial statements are also reclassified accordingly, and explanations are provided regarding these matters.

**2.1.4 Offsetting**

Financial assets and liabilities are presented on the balance sheet (financial statement) at their net amounts when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

**2.1.5 Going concern**

The company has prepared its financial statements in accordance with the going concern principle.

**2.1.6 Adjustments of financial statements during high inflation periods**

TAS 29 High Inflation Economies Financial Reporting Standard addresses economies where high inflation is present, specifying a threshold value to determine whether high inflation exists in an economy and explaining how financial statements of entities operating in a currency of a high inflationary economy should be adjusted for inflation. The Public Oversight, Accounting and Auditing Standards Authority (POA) announced on 20 January 2022, regarding the application of the Turkish Financial Reporting Standards, the Financial Reporting Standard for Large and Medium-sized Entities within the scope of TAS 29 in high inflationary economies. According to this announcement, entities applying TFRS do not need to make any adjustments under TAS 29 for their financial statements for the year 2021. As of the date of preparation of these financial statements, no new announcement has been made by POA regarding TAS 29, and as of 31 December 2022, financial statements have not been adjusted for inflation in accordance with TAS 29.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

**2.1.7 Changes in Accounting Policies**

Changes in accounting policies arising from the first-time application of a new TFRS are applied retrospectively in accordance with the transitional provisions of that TFRS, if any. Changes without any transitional provisions, significant changes made on a voluntary basis in accounting policies, or identified accounting errors are retrospectively applied, and the previous period financial statements are restated

**2.1.8 Implementation of new and revised financial reporting standards**

*a. Standards, amendments, and interpretations applicable as of 31 December 2022:*

- **Amendment to TFRS 16, ‘Leases’ – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021);** As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the TASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the TASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from annual periods beginning on or after 1 January 2022.
  - **Amendments to TFRS 3, ‘Business combinations’** update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to TAS 16, ‘Property, plant and equipment’** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to TAS 37, ‘Provisions, contingent liabilities and contingent assets’** specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial Instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.

NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

*b. Standards, amendments, and interpretations that are issued but not effective as of 31 December 2022:*

- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- **Amendment to TFRS 16 – Leases on sale and leaseback;** effective from annual periods beginning on or after 1 January 2024. These amendments include requirements for sale and leaseback transactions in TFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
- **Amendment to TAS 1 – Non current liabilities with covenants;** effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
  - **TFRS 17, ‘Insurance Contracts’, as amended in December 2021;** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

The company's management will assess the impact of the standards and standard changes mentioned above, which have not yet come into effect, on their operations, and they will apply them from the effective date onwards.

2.1.9 Changes in Accounting Estimates and Errors

Changes in accounting estimates are applied prospectively to the current period if they relate to that period only or both the period of change and future periods if they relate to future periods. There have been no significant changes in accounting estimates during the current period for the Company.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies**

**2.2.1 Financial instruments**

Loans and receivables

Trade and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are measured at amortized cost using the effective interest rate method, as the contractual cash flows are intended to be collected and the contractual terms meet the criteria to lead to cash flows that include only principal and interest payments on certain dates.

Financial liabilities

The Company's financial liabilities and equity instruments are classified according to contractual arrangements and the basis on which a financial liability and an equity instrument are defined. The contract representing the right to the remaining assets of the company after deducting all its debts is an equity-based financial instrument.

Financial liabilities are valued at discounted value using the internal rate of return method.

TFRS 9 Financial Instruments

TFRS 9 regulates the provisions regarding the recognition and measurement of financial assets and financial liabilities.

TFRS 9 determines the requirements for the recognition and measurement of financial assets and liabilities and contracts for the purchase or sale of certain non-financial items. Details of significant new accounting policies and the impact and nature of changes in previous accounting policies are set out below.

*i. Classification of financial assets and liabilities*

initial recognition in the financial statements, a financial asset is classified as measured at amortized cost, measured at fair value through other comprehensive income ("OCI") with fair value changes recognized in OCI - debt instruments, measured at fair value through OCI with fair value changes recognized in OCI - equity instruments, or measured at fair value through profit or loss with fair value changes recognized in profit or loss. The classification of financial assets within the scope of TFRS 9 generally depends on the business model used by the entity for managing financial assets and the characteristics of the contractual cash flows of the financial asset. The requirement for the separation of embedded derivatives from financial assets has been eliminated under the standard, and the classification of a hybrid contract as a whole should be assessed.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

A financial asset is measured at amortized cost if both of the following conditions are met, and it is not classified as measured at fair value with fair value changes recognized in profit or loss:

- Held within a business model whose objective is to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on specified dates.
- If a financial liability does not meet both of these conditions and is not classified as measured at fair value with fair value changes recognized in profit or loss, fair value changes are recognized in other comprehensive income for the financial liability:
- Held within a business model whose objective is both to collect contractual cash flows and to sell financial assets, and
- The contractual terms of the financial liability give rise to cash flows that are solely payments of principal and interest on specified dates.

In the initial recognition of investments in equity instruments not held for trading purposes, an irrevocable choice may be made to present subsequent changes in fair value in other comprehensive income. This choice can be made on an investment-by-investment basis.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value with fair value changes recognized in profit or loss. In the initial recognition of financial assets in the financial statements, a financial asset may be designated as measured at fair value through profit or loss, provided that it eliminates or significantly reduces an accounting mismatch resulting from measuring financial assets differently or presenting gains or losses on them differently in the financial statements, and this designation is irrevocable.

In the initial measurement of financial assets other than those for which fair value changes are recognized in profit or loss (except for trade receivables that are measured at initial recognition at transaction price and do not have a significant financing component), transaction costs directly attributable to the acquisition or issuance of these financial assets are also added to their fair value.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

## 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Summary of Significant Accounting Policies (Continued)

The following accounting policies apply to subsequent measurements of financial assets.

<b>Financial assets measured at fair value through profit or loss</b>	These assets are measured at their fair value on subsequent measurements. Net gains and losses relating thereto, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets measured at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. If any, amortized costs are reduced by the amount of impairment losses. Interest income, foreign currency gains and losses and impairment losses are recognized in profit or loss. Gains or losses resulting from their derecognition are recognized in profit or loss.
<b>Debt instruments measured at fair value through other comprehensive income</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairments are recognized in the income statement. Other gains and losses are recognized in other comprehensive income. When financial assets are derecognized from the balance sheet, any previously recognized gains or losses in other comprehensive income are reclassified to the income statement.
<b>Equity instruments at fair value through other comprehensive income</b>	These assets are subsequently measured at fair value. Dividends are recognized in profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss.

#### ii. Impairment of financial assets

The "Expected Credit Loss" (ECL) model is applied for impairment of financial assets according to TFRS 9. This new impairment model is applicable to financial assets measured at amortized cost, contract assets, and debt instruments measured at fair value through other comprehensive income (OCI). However, it is not applied to investments in equity instruments.

Financial assets measured at amortized cost consist of trade receivables and cash and cash equivalents.

Under TFRS 9, provisions for losses can be measured using any of the following principles:

- 12-month ECLs: This represents the portion of expected credit losses arising from default events that are likely to occur within the 12 months following the reporting date, and
- Lifetime ECLs: These represent expected credit losses arising from default events that are likely to occur throughout the entire expected lifetime of the financial asset.

## **ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.**

### **NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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## **2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

### **2.2 Summary of Significant Accounting Policies (Continued)**

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant to the estimation of expected credit losses, including the effects of expected early payments, and that can be obtained without undue cost or effort. This information includes quantitative and qualitative information and analyses based on the Company's past credit loss experience and forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

#### **2.2.2 Provisions, Contingent Assets and Liabilities**

A provision is recognized in the financial statements when there is a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the present value of the estimated cash flows required to settle the existing obligation, then the carrying amount of the provision is equal to the present value of those cash flows.

In situations where some or all of the economic benefits required to settle the provision are expected to be reimbursed by third parties, the expected reimbursement is recognized as an asset if it is virtually certain that the reimbursement will be received and can be reliably measured.

#### **2.2.3 Cash Flow Statement**

In the cash flow statement, cash flows for the period are classified and reported based on main, investing and financing activities.

#### **2.2.4 Cash and Cash Equivalents**

Cash and cash equivalent items include cash on hand, demand deposits and other short-term investments with high liquidity, with original maturities of 3 months or less from the date of purchase, which can be converted into cash immediately and which do not carry a significant risk of change in value (Note 4).

#### **2.2.5 Taxes on Income**

Income tax expense consists of the sum of current tax and deferred tax expense.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

*Current Tax*

Current tax liability is calculated on the taxable portion of the period profit. Taxable profit differs from the profit included in the statement of profit or loss because it excludes items that are taxable or deductible in other years and items that cannot be taxed or deducted. The Company's current tax liability is calculated using the tax rate that has been legalized or substantially legalized as of the balance sheet date (Note 9).

*Deferred Tax*

Deferred tax liability or asset is determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the legal tax base calculation, according to the balance sheet method, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from such differences by obtaining taxable profit in the future. The assets and liabilities in question are not recognized if the temporary difference related to the transaction that does not affect the commercial or financial profit/loss arises from the initial recognition of goodwill or other assets and liabilities (other than business combinations) (Note 9).

**2.2.6 Fees, commissions and profit share income and expenses**

*Fee and commission income and expenses*

Fees and commissions are generally reflected in the statement of profit or loss on the date they are collected or paid. However, export service commissions are accounted for on an accrual basis.

*Profit share income and expense*

Profit share income and expenses are recognized on an accrual basis in the profit or loss statement of the relevant period.

**2.2.7 Events After The Reporting Period**

Subsequent events refer to events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they come to light after the announcement of any profit allocation or other selected financial information related to earnings.

In the event that events requiring adjustments to the financial statements arise after the balance sheet date, the Company adjusts the amounts included in the financial statements to reflect this new situation (Note 19).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.2 Summary of Significant Accounting Policies (Continued)

###### 2.2.8 Related Parties

Related parties are entities or individuals that have the ability to control or significantly influence the other party, either directly or indirectly, through ownership, contractual rights, family relationships, or similar means. This definition includes shareholders and the company's management as related parties. Transactions with related parties involve the transfer of resources and obligations between related entities, whether for consideration or at no cost (Note 16).

##### 2.3 Significant Accounting Evaluations, Estimates and Assumptions

The preparation of financial statements involves making estimates and assumptions that affect the amounts of assets, liabilities, income, and expenses reported as of the balance sheet date and during the reporting period. These estimates and assumptions are based on the best judgment and information available to management at the time of preparation. However, actual results may differ from these estimates and assumptions. As of 31 December 2022, the company does not have any significant estimates or assumptions that have a material impact on its financial statements.

#### 3 - SEGMENT REPORTING

Since the company operates in Turkey and only as an asset leasing company, no reporting description is given according to segments.

#### 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Banks		
- Private Current Account (*)	400.983	365.403
<b>TOTAL</b>	<b>400.983</b>	<b>365.403</b>

(\*) Cash and cash equivalents consist of special current accounts held at Ziraat Katılım Bankası A.Ş. As of 31 December 2022, the total amount of cash and cash equivalents is 400.983 TL, and it is entirely denominated in Turkish Lira (31 December 2021: 365.403 TL).

#### 5 – TRADE RECEIVABLES

	31 December 2022	31 December 2021
Accounts Receivables from Related Parties	5.200.100.480	4.050.047.880
Profit Share Accruals	180.808.375	106.904.953
<b>TOTAL</b>	<b>5.380.908.855</b>	<b>4.156.952.833</b>

(\*) The company has used the funds obtained from the issuance of lease certificates with the same amount, maturity, and profit-sharing cost to provide funds to Ziraat Katılım Bankası A.Ş. (Note 16).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 6 - OTHER CURRENT ASSETS

	31 December 2022	31 December 2021
Other Current Assets from Related Parties	-	12.500
Other	500	1.065
<b>TOTAL</b>	<b>500</b>	<b>13.565</b>

#### 7 - BORROWINGS

##### Short Term Borrowings

As of 31 December 2022 and 31 December 2021, the Company's short-term borrowings are as follows:

	31 December 2022	31 December 2021
<b>Issued Debt Instruments</b>	<b>5.200.000.000</b>	<b>4.050.000.000</b>
TRDZKVK32310	800.000.000	-
TRDZKVK32328	800.000.000	-
TRDZKVK22311	700.000.000	-
TRDZKVK32336	700.000.000	-
TRDZKVK12320	600.000.000	-
TRDZKVK72316	500.000.000	-
TRDZKVK12312	500.000.000	-
TRDZKVK12338	500.000.000	-
TRDZKVK42319	100.000.000	-
TRDZKVK12213	-	600.000.000
TRDZKVK32211	-	450.000.000
TRDZKVK12221	-	500.000.000
TRDZKVK22212	-	400.000.000
TRDZKVK22220	-	600.000.000
TRDZKVK32229	-	400.000.000
TRDZKVK32237	-	400.000.000
TRDZKVK62218	-	300.000.000
TRDZKVK42210	-	400.000.000
<b>Profit Share Accruals</b>	<b>180.808.375</b>	<b>106.876.137</b>
TRDZKVK32310	14.564.715	-
TRDZKVK32328	10.128.858	-
TRDZKVK22311	20.757.521	-
TRDZKVK32336	1.535.002	-
TRDZKVK12320	26.514.323	-
TRDZKVK72316	53.142.965	-
TRDZKVK12312	23.836.683	-
TRDZKVK12338	18.454.437	-
TRDZKVK42319	11.873.873	-
TRDZKVK12213	-	27.757.282
TRDZKVK32211	-	20.594.113
TRDZKVK12221	-	19.422.807
TRDZKVK22212	-	11.842.966
TRDZKVK22220	-	13.081.647
TRDZKVK32229	-	5.997.892
TRDZKVK32237	-	2.783.662
TRDZKVK62218	-	3.861.507
TRDZKVK42210	-	1.534.261
<b>TOTAL</b>	<b>5.380.808.375</b>	<b>4.156.876.137</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

##### Sukuk Issuance dated 6 July 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 6 July 2022, a lease certificate was issued in the amount of 600.000.000 TL, with an ISIN code of TRDZKVKE2229, an annual simple return rate of 24,75%, a maturity of 99 days, and a redemption date of 13 October 2022.

The details of the income distribution amounts for the July 6, 2022, issuance of 600.000.000 TL sukuk are as follows::

1. Income Distribution Amount 13 October 2022	40.278.060
Lease Certificate Fee Payment Amount 13 October 2022	600.000.000

##### Sukuk Issuance dated 7 July 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 7 July 2022, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVKE22316, an annual simple return rate of 23,00%, a maturity of 363 days, and a redemption date of 5 July 2023.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 7 July 2022 are as follows:

1. Income Distribution Amount 5 July 2023	114.369.850
Lease Certificate Fee Payment Amount 5 July 2023	500.000.000

##### Sukuk Issuance dated 26 July 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 26 July 2022, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVKE2237, an annual simple return rate of 24,25%, a maturity of 92 days, and a redemption date of 26 October 2022.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 26 July 2022 are as follows:

1. Income Distribution Amount 26 October 2022	30.561.650
Lease Certificate Fee Payment Amount 26 October 2022	500.000.000

##### Sukuk Issuance dated 5 August 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 5 August 2022, a lease certificate was issued in the amount of 600.000.000 TL, with an ISIN code of TRDZKVKE2213, an annual simple return rate of 23,75%, a maturity of 98 days, and a redemption date of 11 November 2022.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 5 August 2022 are as follows:

1. Income Distribution Amount 11 November 2022	38.260.260
Lease Certificate Fee Payment Amount 11 November 2022	600.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

##### Sukuk Issuance dated 28 August 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 28 August 2022, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVKK2221, an annual simple return rate of 19,00%, a maturity of 98 days, and a redemption date of 29 November 2022.

Details of the income distribution amounts of the sukuk issuance of 800.000.000 TL dated 28 August 2022 are as follows:

1. Income Distribution Amount 29 November 2022	40.810.960
Lease Certificate Fee Payment Amount 29 November 2022	800.000.000

##### Sukuk Issuance dated 7 September 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 7 September 2022, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVKKA2215, an annual simple return rate of 19,20%, a maturity of 93 days, and a redemption date of 9 December 2022.

Details of the income distribution amounts of the 800.000.000 TL sukuk issuance dated 7 September 2022 are as follows:

1. Income Distribution Amount 9 December 2022	39.136.400
Lease Certificate Fee Payment Amount 9 December 2022	800.000.000

##### Sukuk Issuance dated 27 September 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 29 September 2022, a lease certificate was issued in the amount of 700.000.000 TL, with an ISIN code of TRDZKVKKA2223, an annual simple return rate of 18,90%, a maturity of 92 days, and a redemption date of 28 December 2022.

Details of the income distribution amounts of the 700.000.000 TL sukuk issuance dated 27 September 2022 are as follows:

1. Income Distribution Amount 28 December 2022	33.346.880
Lease Certificate Fee Payment Amount 28 December 2022	700.000.000

##### Sukuk Issuance dated 5 October 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 5 October 2022, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK12312, an annual simple return rate of 19,80%, a maturity of 93 days, and a redemption date of 6 January 2023.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 5 October 2022 are as follows:

1. Income Distribution Amount 6 January 2023	25.224.650
Lease Certificate Fee Payment Amount 6 January 2023	500.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

##### Sukuk Issuance dated 13 October 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 29 September 2022, a lease certificate was issued in the amount of 600.000.000 TL, with an ISIN code of TRDZKVK12320, an annual simple return rate of 20,25%, a maturity of 96 days, and a redemption date of 17 January 2023.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 13 October 2022 are as follows:

1. Income Distribution Amount 17 January 2023	31.956.180
Lease Certificate Fee Payment Amount 17 January 2023	600.000.000

##### Sukuk Issuance dated 26 October 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 26 October 2022, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK12338, an annual simple return rate of 20,25%, a maturity of 93 days, and a redemption date of 27 January 2023.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 26 October 2022 are as follows:

1. Income Distribution Amount 27 January 2023	25.797.950
Lease Certificate Fee Payment Amount 27 January 2023	500.000.000

##### Sukuk Issuance dated 11 November 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 11 November 2022, a lease certificate was issued in the amount of 700.000.000 TL, with an ISIN code of TRDZKVK22311, an annual simple return rate of 21,50%, a maturity of 96 days, and a redemption date of 15 February 2022.

Details of the income distribution amounts of the 700.000.000 TL sukuk issuance dated 11 November 2022 are as follows:

1. Income Distribution Amount 15 February 2023	39.583.530
Lease Certificate Fee Payment Amount 15 February 2023	700.000.000

##### Sukuk Issuance dated 29 November 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 29 November 2022, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVK32310, an annual simple return rate of 20,50%, a maturity of 98 days, and a redemption date of 7 March 2023.

Details of the income distribution amounts of the sukuk issuance of 800.000.000 TL dated 29 November 2022 are as follows:

1. Income Distribution Amount 7 March 2023	44.032.880
Lease Certificate Fee Payment Amount 7 March 2023	800.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

##### Sukuk Issuance dated 9 December 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 9 December 2022, a lease certificate was issued in the amount of 800.000.000 TL, with an ISIN code of TRDZKVK32328, an annual simple return rate of 20,50%, a maturity of 96 days, and a redemption date of 15 March 2023.

Details of the income distribution amounts of the 800.000.000 TL sukuk issuance dated 9 December 2022 are as follows:

1. Income Distribution Amount 15 March 2023	43.134.240
Lease Certificate Fee Payment Amount 15 March 2023	800.000.000

##### Sukuk Issuance dated 28 December 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 28 December 2022, a lease certificate was issued in the amount of 700.000.000 TL, with an ISIN code of TRDZKVK32336, an annual simple return rate of 20,50%, a maturity of 92 days, and a redemption date of 30 March 2023.

Details of the income distribution amounts of the sukuk issuance of 700.000.000 TL dated 28 December 2022 are as follows:

1. Income Distribution Amount 30 March 2023	36.169.840
Lease Certificate Fee Payment Amount 30 March 2023	700.000.000

Fund User	ISIN Code	Issuance Amount	Issuance Date	Redemption Date	Maturity	Profit Share
Ziraat Katılım Bankası A.Ş.	TRDZKVK2229	600.000.000,00	06.07.2022	13.10.2022	99	40.278.060,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK72316	500.000.000,00	07.07.2022	05.07.2023	363	114.369.850,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2237	500.000.000,00	26.07.2022	26.10.2022	92	30.561.650,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2213	600.000.000,00	05.08.2022	11.11.2022	98	38.260.260,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2221	800.000.000,00	23.08.2022	29.11.2022	98	40.810.960,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2215	800.000.000,00	07.09.2022	09.12.2022	93	39.136.400,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2223	700.000.000,00	27.09.2022	28.12.2022	92	33.346.880,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK12312	500.000.000,00	05.10.2022	06.01.2023	93	25.224.650,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK12320	600.000.000,00	13.10.2022	17.01.2023	96	31.956.180,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK12338	500.000.000,00	26.10.2022	27.01.2023	93	25.797.950,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK22311	700.000.000,00	11.11.2022	15.02.2023	96	39.583.530,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK32310	800.000.000,00	29.11.2022	07.03.2023	98	44.032.880,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK32328	800.000.000,00	09.12.2022	15.03.2023	96	43.134.240,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK32336	700.000.000,00	28.12.2022	30.03.2023	92	36.169.840,00

The lease certificates shown in the list below are held by Ziraat Katılım Varlık Kiralama A.Ş. These are lease certificates issued by and not yet redeemed as of 31 December 2022. Lease certificates are listed according to their remaining maturity. Ziraat Katılım Bankası A.Ş., which is the Fund User within the scope of each lease certificate issuance. In line with the relevant Management Agreement signed with Ziraat Katılım Varlık Kiralama A.Ş., the assets and rights owned by Ziraat Katılım Varlık Kiralama A.Ş. consist of Assets and Rights existing in the Fund User's balance sheet (or to be created with the funds to be obtained from the issue).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

Fund User	ISIN Code	Issuance Amount	Issuance Date	Redemption Date	Maturity	Annual Simple Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK12312	500.000.000,00	05.10.2022	06.01.2023	93	19,80%
Ziraat Katılım Bankası A.Ş.	TRDZKVK12320	600.000.000,00	13.10.2022	17.01.2023	96	20,25%
Ziraat Katılım Bankası A.Ş.	TRDZKVK12338	500.000.000,00	26.10.2022	27.01.2023	93	20,25%
Ziraat Katılım Bankası A.Ş.	TRDZKVK22311	700.000.000,00	11.11.2022	15.02.2023	96	21,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK32310	800.000.000,00	29.11.2022	07.03.2023	98	20,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK32328	800.000.000,00	09.12.2022	15.03.2023	96	20,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK32336	700.000.000,00	28.12.2022	30.03.2023	92	20,50%

Assets and Rights; In accordance with Article 19(1)(ç) of the Regulation on Banks' Credit Transactions published by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 1 November 2016 and numbered 26333, it is one of the financing methods of participation banks and is provided by the Bank to Individual/Corporate It refers to financing transactions and financial leasing transactions that will be made available or have been made available to customers on behalf of the Asset Leasing Company.

#### 8 - TRADE PAYABLES

	31 December 2022	31 December 2021
Trade Payables to Related Parties	-	-
Trade Payables to Third Parties	65.298	76.696
<b>TOTAL</b>	<b>65.298</b>	<b>76.696</b>

#### 9 - TAX ASSETS AND LIABILITIES

The company is subject to the tax legislation and practices in effect in Turkey. The corporate income tax rate was determined as 20% as of 1 January 2006, in accordance with the Corporate Income Tax Law No. 5520, published in the Official Gazette dated 21 June 2006, and numbered 26205.

However;

With the addition of Temporary Article 10 to the Corporate Income Tax Law on 5 December 2017, the corporate income tax rate, which was originally 20% according to Article 32, Paragraph 1 of the same law, was applied at a rate of 22% for the tax assessment periods of corporations for the years 2018, 2019, and 2020.

As of 31 December 2022, the corporate income tax rate applied in the financial statements is 25%. This change in the corporate income tax rate was introduced by Law No. 7394, published in the Official Gazette on 15 April 2022, and came into effect. According to this law, the corporate income tax rate for banks, companies within the scope of Law No. 6361, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies, and pension companies was set at 25%. This change applies to the tax assessment periods starting from 1 January 2022, with tax returns to be filed starting from 1 July 2022.

The law on amending the Tax Procedure Law and the Corporate Tax Law was published on 20 January 2022, Law No. It has become law with number 7532, and it has been decided that financial statements will not be subject to inflation adjustment, regardless of whether the conditions for inflation adjustment within the scope of Article 298 are met for the 2021 and 2022 accounting periods, including the provisional accounting periods, and the 2023 accounting period provisional tax periods. In line with Law No. 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference resulting from the inflation adjustment will be shown in the previous years' profit/loss account and will not be subject to tax.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 9 - TAX ASSETS AND LIABILITIES (Continued)

The company is subject to the tax legislation and practices in force in Turkey.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period for a period not exceeding 5 years. Declarations and relevant accounting records can be examined by the tax office within five years and tax accounts can be revised.

Details of the Company's tax liability as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Current income tax liabilities	5.827	16.771
<b>Tax Liabilities</b>	<b>5.827</b>	<b>16.771</b>

Tax expense details for the periods ending 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Tax Expense	18.361	58.668
<b>Total</b>	<b>18.361</b>	<b>58.668</b>

As of 31 December 2022, the remaining amount after netting the corporate income tax provision and paid corporate income tax is recorded in the "tax liability for the period" account within the "current tax liabilities" or "assets related to current-year taxes" account.

	31 December 2022	31 December 2021
Current Year Corporate Tax Expense	18.361	58.668
Taxes Paid (-)	(12.534)	(41.897)
<b>Current Tax Liabilities</b>	<b>5.827</b>	<b>16.771</b>

As of 31 December 2022, the Company has no deferred tax assets or liabilities (31 December 2021: None.).

#### 10- OTHER LIABILITIES

	31 December 2022	31 December 2021
<i>Other Current Liabilities</i>		
Advances Taken from Related Parties	-	12.500
VAT Payable	8.731	4.920
Income Tax Payable	22.693	1.202
Income Withholdings Payable	763	797
Stamp Duty Payable	851	61
Other Miscellaneous Debts	-	-
<b>TOTAL</b>	<b>33.038</b>	<b>19.480</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 11 - EQUITY

As of 31 December 2022, the Company's paid-in share capital is 50.000 TL, consisting of 50.000 shares with a nominal value of 1 TL each (31 December 2021: 50.000 TL). The Company does not have any preferred shares as of 31 December 2022.

The legal capital and partnership structure of the Company is as follows:

	31 December 2022		31 December 2021	
	Paid-in share capital	Partnership Structure	Paid-in share capital	Partnership Structure
Ziraat Katılım Bankası A.Ş.	50.000	100%	50.000	100%

#### *Restricted Reserves*

The Company has restricted reserves of 10.000 TL (31 December 2021: 4.745 TL).

#### *Prior Years Income*

The Company has 282.717 TL of prior years income (31 December 2021: 111.969 TL).

#### 12 - REVENUE

	31 December 2022	31 December 2021
Profit Share Income	851.131.611	606.587.851
<b>TOTAL</b>	<b>851.131.611</b>	<b>606.587.851</b>

(\*) The company includes its profit share income derived from the utilization of funds it obtained from the issuance of lease certificates to Ziraat Katılım Bankası A.Ş., with the same amount, maturity, and profit-sharing cost.

#### 13 - COST OF SALES

	31 December 2022	31 December 2021
Profit Share Expense	851.131.611	606.587.851
<b>TOTAL</b>	<b>851.131.611</b>	<b>606.587.851</b>

# ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

### 13 - COST OF SALES (Continued)

The details of profit share expenses paid for lease certificates issued for the periods ending on 31 December 2022 are as follows:

	31 December 2022	31 December 2021
TRDZKVK42228	32.219.160	-
TRDZKVK42236	26.178.100	-
TRDZKVK52219	25.104.100	-
TRDZKVK62226	27.780.840	-
TRDZKVK62234	18.173.160	-
TRDZKVK62242	18.150.120	-
TRDZKVK72217	25.709.580	-
TRDZKVK42319	11.873.873	-
TRDZKVK72225	28.504.080	-
TRDZKVK82216	23.150.700	-
TRDZKVK82224	29.174.820	-
TRDZKVK92215	32.350.680	-
TRDZKVK92223	25.643.840	-
TRDZKVKE2211	25.767.120	-
TRDZKVKE2229	40.278.060	-
TRDZKVK72316	53.142.965	-
TRDZKVKE2237	30.561.650	-
TRDZKVKK2213	38.260.260	-
TRDZKVKK2221	40.810.960	-
TRDZKVKKA2215	39.136.400	-
TRDZKVKKA2223	33.346.880	-
TRDZKVK12312	23.836.683	-
TRDZKVK12320	26.514.323	-
TRDZKVK12338	18.454.437	-
TRDZKVK22311	20.757.521	-
TRDZKVK12213	1.795.597	-
TRDZKVK32211	20.354.042	-
TRDZKVK12221	4.473.093	-
TRDZKVK22212	6.143.353	-
TRDZKVK22220	14.178.093	-
TRDZKVK32229	10.541.268	-
TRDZKVK62218	19.704.008	-
TRDZKVK32237	14.358.772	-
TRDZKVK42210	18.474.498	-
TRDZKVK32310	14.564.715	-
TRDZKVK32328	10.128.858	-
TRDZKVK32336	1.535.002	-
TRDZKVK12114	-	890.985
TRDZKVK12122	-	3.159.625
TRDZKVK22113	-	8.374.798
TRDZKVK22139	-	11.118.917
TRDZKVK32112	-	19.347.351
TRDZKVK62119	-	46.450.370
TRDZKVK32120	-	7.601.477
TRDZKVK32138	-	27.635.231
TRDZKVK42111	-	17.009.055
TRDZKVK42129	-	15.703.030
TRDZKVK52110	-	19.729.319
TRDZKVK62127	-	19.178.080
TRDZKVK62135	-	19.979.160
TRDZKVK72118	-	26.547.950
TRDZKVK92116	-	22.563.025
TRDZKVK72126	-	28.122.720
TRDZKVK82117	-	30.821.940
TRDZKVK82125	-	18.904.120
TRDZKVK92124	-	15.102.750
TRDZKVK92132	-	20.137.000
TRDZKVKE2112	-	25.563.700
TRDZKVKE2120	-	32.225.760
TRDZKVKK2114	-	30.286.020
TRDZKVKK2122	-	19.160.560
TRDZKVKKA2116	-	14.098.770
TRDZKVK12213	-	27.757.282
TRDZKVK32211	-	20.594.113
TRDZKVK12221	-	19.422.807
TRDZKVK22212	-	11.842.966
TRDZKVK22220	-	13.081.647
TRDZKVK32229	-	5.997.892
TRDZKVK62218	-	2.783.662
TRDZKVK32237	-	3.861.507
TRDZKVK42210	-	1.534.262
<b>TOTAL</b>	<b>851.131.611</b>	<b>606.587.851</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 14 – GENERAL ADMINISTRATIVE EXPENSES

	31 December 2022	31 December 2021
Issuance Related Expenses	19.188.498	13.599.063
Board Member Allowance Expenses	290.759	33.535
Audit and Consultancy Expenses	63.690	49.453
Chamber of Commerce Registration Expenses	13.931	7.847
Notary Registration Expenses	4.422	2.323
Rent Expenses	4.200	3.600
Stamp Duty	3.405	2.655
Other Miscellaneous Expenses	16.496	1.231
<b>TOTAL</b>	<b>19.585.401</b>	<b>13.699.707</b>

#### 15 - OTHER OPERATING INCOME

	31 December 2022	31 December 2021
Service Commission Income (*)	19.658.845	13.934.378
<b>TOTAL</b>	<b>19.658.845</b>	<b>13.934.378</b>

(\*) The costs related to issuances incurred for Ziraat Katılım Bankası A.Ş. consist of accounting processes for reflection.

#### 16 - RELATED PARTIES

- 1) As of 31 December 2022, the details of receivables and payables from related parties are as follows:

##### Cash and Cash Equivalents

	31 December 2022	31 December 2021
-Ziraat Katılım Bankası A.Ş (Note 4)	400.983	365.403
<b>TOTAL</b>	<b>400.983</b>	<b>365.403</b>

##### Trade Receivables

	31 December 2022	31 December 2021
-Ziraat Katılım Bankası A.Ş (Note 5)	5.380.908.855	4.156.952.833
<b>TOTAL</b>	<b>5.380.908.855</b>	<b>4.156.952.833</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 16 - RELATED PARTIES (Continued)

##### Other Current Assets from Related Parties

	31 December 2022	31 December 2021
-ZKB Varlık Kiralama A.Ş (Note 6)	-	12.500
<b>TOTAL</b>	<b>-</b>	<b>12.500</b>

##### Other Current Liabilities to Related Parties

	31 December 2022	31 December 2021
-Ziraat Katılım Bankası A.Ş (Note 10)	-	12.500
<b>TOTAL</b>	<b>-</b>	<b>12.500</b>

2) Details of income and expenses from related parties as of 31 December 2022 are as follows:

##### Income from Related Party Transactions

	31 December 2022	31 December 2021
-Ziraat Katılım Bankası A.Ş – Profit Share Income	851.131.611	606.587.851
-Ziraat Katılım Bankası A.Ş - Service Commission Income	19.658.845	13.934.378
<b>TOTAL</b>	<b>870.790.456</b>	<b>620.522.229</b>

#### 17 - THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

##### 17.1 Equity Related Risks

The Company aims to increase its profits by maintaining a balance between debt and equity while conducting its activities.

##### 17.2. Financial Risks

The company is exposed to credit risk and liquidity risk due to its activities.

##### 17.2.1 Credit Risk

The financial instruments held by the Company include counterparty credit risk due to the counterparty's failure to fulfill the terms of the agreement.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 17 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### Credit risks exposed by financial instrument types

31 December 2022	Receivables				
	Trade Receivables		Other Receivables		Deposits in
	Related Party	Other Party	Related Party	Other Party	Banks
Maximum credit risk exposed as of balance sheet date 31 December 2022	5.380.908.855	-	-	500	400.983
- The part of maximum risk under guarantee with collaterals etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	5.380.908.855	-	-	500	400.983
B. The net book value of financial assets that have had their terms renegotiated, otherwise, they would be considered past due or impaired	-	-	-	-	-
C. Net book value of financial assets past due but not impaired	-	-	-	-	-
- The portion secured by collateral, etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Not overdue (Gross carrying amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-
- Overdue (Gross carrying amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
E. Off-balance sheet items	-	-	-	-	-

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

31 December 2021	Receivables				
	Trade Receivables		Other Receivables		Deposits in
	Related Party	Other Party	Banks	Other Party	Banks
Maximum credit risk exposed as of balance sheet date 31 December 2022	4.156.952.833	-	12.500	1.065	365.403
- The part of maximum risk under guarantee with collaterals etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4.156.952.833	-	12.500	1.065	365.403
B. The net book value of financial assets that have had their terms renegotiated, otherwise, they would be considered past due or impaired	-	-	-	-	-
C. Net book value of financial assets past due but not impaired	-	-	-	-	-
- The portion secured by collateral, etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Not overdue (Gross carrying amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-
- Overdue (Gross carrying amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
E. Off-balance sheet items	-	-	-	-	-

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 17 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

##### 17.2.2 Liquidity Risk

Management of liquidity risk is the responsibility of the company's Board of Directors. The board of directors has established an appropriate liquidity risk management structure for the liquidity requirements of the company. The company manages its liquidity risk by regularly monitoring it and ensuring adequate levels of funds and borrowing reserves by matching the maturities of financial assets and liabilities.

##### Liquidity Risk Table

31 December 2022	Up to 1 month	1 to 12 months	1 to 5 years	Demand	Total
Cash and cash equivalents	-	-	-	400.983	400.983
Trade Receivables	-	5.380.908.855	-	-	5.380.908.855
Other Current Assets	500	-	-	-	500
<b>Total Assets</b>	<b>500</b>	<b>5.380.908.855</b>	<b>-</b>	<b>400.983</b>	<b>5.381.310.338</b>
Lease Certificates Issued	-	5.380.808.375	-	-	5.380.808.375
Other Current Liabilities	65.298	38.865	-	397.800	501.963
<b>Total Liabilities</b>	<b>65.298</b>	<b>5.380.847.240</b>	<b>-</b>	<b>397.800</b>	<b>5.381.310.338</b>
<b>Liquidity Risk</b>	<b>(64.798)</b>	<b>61.615</b>	<b>-</b>	<b>3.183</b>	<b>-</b>

31 December 2021	Up to 1 month	1 to 12 months	1 to 5 years	Demand	Total
Cash and cash equivalents	-	-	-	365.403	365.403
Trade Receivables	-	4.156.952.833	-	-	4.156.952.833
Other Current Assets	13.565	-	-	-	13.565
<b>Total Assets</b>	<b>13.565</b>	<b>4.156.952.833</b>	<b>-</b>	<b>365.403</b>	<b>4.157.331.801</b>
Lease Certificates Issued	-	4.156.876.137	-	-	4.156.876.137
Other Current Liabilities	89.196	23.751	-	342.717	455.664
<b>Total Liabilities</b>	<b>89.196</b>	<b>4.156.899.888</b>	<b>-</b>	<b>342.717</b>	<b>4.157.331.801</b>
<b>Liquidity Risk</b>	<b>(75.631)</b>	<b>52.945</b>	<b>-</b>	<b>22.686</b>	<b>-</b>

##### 17.3 Market Risk

The company is not exposed to market risk since it has no foreign currency assets and liabilities and no purchase or sale commitments.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 18 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

	Book value 31 December 2022	Fair value 31 December 2022
<u>Financial Assets</u>		
<i>Trade Receivables from Related Parties</i>	5.380.908.855	5.380.908.855
<u>Financial Obligations</u>		
<i>Short-Term Borrowings from Third Parties</i>	5.380.808.375	5.380.808.375

	Book value 31 December 2022	Fair value 31 December 2022
<u>Financial Assets</u>		
<i>Trade Receivables from Related Parties</i>	4.156.952.833	4.156.952.833
<u>Financial Obligations</u>		
<i>Short-Term Borrowings from Third Parties</i>	4.156.876.137	4.156.876.137

It is assumed that there is no significant difference between the fair value and book value of financial assets and liabilities due to their short-term nature.

#### 19 – EVENTS AFTER THE REPORTING PERIOD

The company issued sukuk on 6 January 2023, 17 January 2023 and 27 January 2023 and the details are as follows:

##### Sukuk Issuance dated 6 January 2023

Ziraat Katılım Varlık Kiralama A.Ş. on 6 January 2023, a lease certificate was issued with the code TRDZKVK42327, with a simple annual return rate of 20,25%, a maturity of 97 days, and a redemption date of 13 April 2023, in the amount of 500.000.000 TL.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 6 January 2023 are as follows:

1. Income Distribution Amount 13 April 2023	26.907.550
Lease Certificate Fee Payment Amount 13 April 2023	500.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2022

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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#### 19 – SUBSEQUENT EVENTS (Continued)

##### Sukuk Issuance dated 17 January 2023

Ziraat Katılım Varlık Kiralama A.Ş. on 17 January 2023, a lease certificate was issued with the code TRDZKVK42335, with a simple annual return rate of 20,25%, a maturity of 99 days, and a redemption date of 26 April 2023, in the amount of 600,000,000 TL.

Details of the income distribution amounts of the sukuk issuance of 600.000.000 TL dated 17 January 2023 are as follows:

1. Income Distribution Amount 26 April 2023	32.954.820
Lease Certificate Fee Payment Amount 26 April 2023	600.000.000

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##### Sukuk Issuance dated 27 January 2023

Ziraat Katılım Varlık Kiralama A.Ş. On 27 January 2023, a lease certificate was issued with the code TRDZKVK52318, an annual simple return rate of 20,50%, a maturity of 98 days, a redemption date of 5 May 2023, and an amount of 500.000.000 TL.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 27 January 2023 are as follows:

1. Income Distribution Amount 5 July 2023	27.520.550
Lease Certificate Fee Payment Amount 5 July 2023	500.000.000

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**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.**

**FINANCIAL STATEMENTS AT 31 DECEMBER 2021  
TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT**

**(CONVENIENCE TRANSLATION INTO ENGLISH OF THE  
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH)**



**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REPORT  
ORIGINALLY ISSUED IN TURKISH**

**INDEPENDENT AUDITOR’S REPORT**

To the General Assembly of Ziraat Katılım Varlık Kiralama A.Ş.

**A. Audit of the financial statements**

**1. Our opinion**

We have audited the accompanying financial statements of Ziraat Katılım Varlık Kiralama A.Ş. (the “Company”) which comprise the statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

**2. Basis for opinion**

Our audit was conducted in accordance with the Standards on Independent Auditing (the “SIA”) that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the “POA”). Our responsibilities under these standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (including Independence Standards) (the “Ethical Rules”) and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

**3. Key audit matters**

No matters have been determined to be the key audit matters to be communicated in our report.



#### **4. Responsibilities of management and those charged with governance for the financial statements**

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **5. Auditor's responsibilities for the audit of the financial statements**

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



**B. Other responsibilities arising from regulatory requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

PwC Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik A.Ş.

A handwritten signature in blue ink, appearing to read "Zeynep Uras", is positioned below the text of the firm.

Zeynep Uras, SMMM  
Partner

Istanbul, 11 February 2022

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**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31  
DECEMBER 2021**

(Amounts are expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	Audited 31 December 2021	Audited 31 December 2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4,16	365.403	231.378
Trade Receivables	5	4.156.952.833	4.013.749.697
- <i>Due From Related Parties</i>	16	4.156.952.833	4.013.749.697
Other Current Assets	6	13.565	-
- <i>Other Current Assets from Related Parties</i>	6,16	12.500	-
- <i>Other Current Assets from Third Parties</i>		1.065	-
<b>Total Current Assets</b>		<b>4.157.331.801</b>	<b>4.013.981.075</b>
<b>TOTAL ASSETS</b>		<b>4.157.331.801</b>	<b>4.013.981.075</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Short-Term Borrowings	7	4.156.876.137	4.013.749.712
- <i>Short-Term Borrowings from Third Parties</i>	7	4.156.876.137	4.013.749.712
- <i>Issued Debt Instruments</i>	7	4.156.876.137	4.013.749.712
Trade Payables	8	76.696	-
- <i>Other Obligations to Third Parties</i>		76.696	-
Current Income Tax Liabilities	9	16.771	15.651
Other Current Liabilities	10	19.480	48.998
- <i>Other Short-Term Liabilities to Related Parties</i>	10,16	12.500	41.497
- <i>Other Short-Term Liabilities to Third Parties</i>	10	6.980	7.501
<b>Total Current Liabilities</b>		<b>4.156.989.084</b>	<b>4.013.814.361</b>
Paid-in Share Capital	11	50.000	50.000
Restricted Reserves		4.745	-
- <i>Retained Earnings</i>		4.745	-
Prior Years' Income	11	111.969	21.836
Profit For The Period		176.003	94.878
<b>Total Equity</b>		<b>342.717</b>	<b>166.714</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>4.157.331.801</b>	<b>4.013.981.075</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise indicated.)

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Revenue	12	606.587.851	327.136.577
Cost of Sales	13	(606.587.851)	(327.136.577)
<b>GROSS PROFIT</b>		<b>-</b>	<b>-</b>
General Administrative Expenses	14	(13.699.707)	(15.259.079)
Other Operating Income	15	13.934.378	15.380.717
<b>OPERATING PROFIT/(LOSS)</b>		<b>234.671</b>	<b>121.638</b>
<b>OPERATING PROFIT/ (LOSS) BEFORE FINANCE INCOME/(EXPENSE)</b>		<b>234.671</b>	<b>121.638</b>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAX</b>		<b>234.671</b>	<b>121.638</b>
<b>Tax Income (Expense)</b>	<b>9</b>	<b>(58.668)</b>	<b>(26.760)</b>
<i>Current Tax (Expense)</i>		<i>(58.668)</i>	<i>(26.760)</i>
<b>PROFIT/(LOSS) FROM CONTINUING OPERATIONS FOR THE YEAR</b>		<b>176.003</b>	<b>94.878</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>176.003</b>	<b>94.878</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE INCOME/( LOSS)</b>		<b>176.003</b>	<b>94.878</b>
<b>EQUITY HOLDERS OF THE PARENT</b>		<b>176.003</b>	<b>94.878</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

	<b>Paid-in share capital</b>	<b>Restricted reserves</b>	<b>Prior years' income</b>	<b>Profit for the period</b>	<b>Total Equity</b>
<b>1 January 2020</b>	<b>50.000</b>	<b>-</b>	<b>16.841</b>	<b>4.995</b>	<b>71.836</b>
Transfers	-	-	4.995	(4.995)	-
Total comprehensive income	-	-	-	94.878	94.878
<b>31 December 2020</b>	<b>50.000</b>	<b>-</b>	<b>21.836</b>	<b>94.878</b>	<b>166.714</b>
<b>1 January 2021</b>	<b>50.000</b>	<b>-</b>	<b>21.836</b>	<b>94.878</b>	<b>166.714</b>
Transfers	-	4.745	90.133	(94.878)	-
Total comprehensive income	-	-	-	176.003	176.003
<b>31 December 2021</b>	<b>50.000</b>	<b>4.745</b>	<b>111.969</b>	<b>176.003</b>	<b>342.717</b>

The following explanations and notes constitute an integral part of the financial statements.

**ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.****CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

	Notes	Audited 1 January - 31 December 2021	Audited 1 January - 30 December 2020
<b>A. Cash flows from operating activities:</b>		<b>134.025</b>	<b>127.744</b>
<b>Profit for the period</b>		<b>176.003</b>	<b>94.878</b>
<b>Adjustments to reconcile profit for the period to cash generated from operating activities:</b>		<b>58.668</b>	<b>26.760</b>
Adjustments related to profit share income	5	(106.904.953)	(327.136.577)
Adjustments related to profit share expenses	5	106.904.953	327.136.577
Adjustments related to tax expenses		58.668	26.760
<b>Changes in working capital</b>		<b>(43.098)</b>	<b>17.235</b>
Adjustments related to decrease/(increase) in trade receivables		(143.203.136)	(1.530.712.777)
- <i>Decrease/(increase) in trade receivables from related parties</i>		(143.203.136)	(1.530.712.777)
Decrease/(increase) in borrowings from financial sector activities		143.126.425	1.530.751.028
Adjustments related to decrease/(increase) in other receivables from activities		(13.565)	24.250
Adjustments related to (decrease)/increase in other liabilities from activities		47.178	(45.266)
<b>Total cash flows from operating activities:</b>		<b>(57.548)</b>	<b>(11.129)</b>
Income received lease certificate("sukuk")	12	606.587.851	327.136.577
Expenses paid to lease certificate("sukuk")	13	(606.587.851)	(327.136.577)
Tax payments	9	(57.548)	(11.129)
<b>B. Cash flows from investing activities:</b>		<b>-</b>	<b>-</b>
<b>Net cash provided by investing activities</b>		<b>-</b>	<b>-</b>
<b>C. Cash flows from financing activities:</b>		<b>-</b>	<b>-</b>
Cash inflows from the issuance of equity and other equity-based instruments		-	-
Cash inflows from borrowings		-	-
<b>Net cash flows from financing activities</b>		<b>-</b>	<b>-</b>
<b>D. Effect of exchange rate changes on cash and cash equivalents</b>		<b>-</b>	<b>-</b>
<b>Net changes in cash and cash equivalents (A+B+C+D)</b>		<b>134.025</b>	<b>127.744</b>
<b>E. Cash and cash equivalents at the beginning of the period</b>	<b>4</b>	<b>231.378</b>	<b>103.634</b>
<b>Cash and cash equivalents at the end of the period (A+B+C+D+E)</b>	<b>4</b>	<b>365.403</b>	<b>231.378</b>

The following explanations and notes constitute an integral part of the financial statements.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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#### 1 - THE ORGANIZATION AND BUSINESS ACTIVITY OF THE COMPANY

Ziraat Katılım Varlık Kiralama A.Ş. ("Company") was established on 22 January 2016, with a fully paid-up capital of 50.000 Turkish Lira, entirely funded by Ziraat Katılım, and with permission granted by the Banking Regulation and Supervision Agency and the Capital Markets Board within the framework of the Capital Markets Board's Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 7 June 2013. The Company was established exclusively for the purpose of issuing lease certificates.

The Company, acting as the representative of the investors from whom it raises funds through the issuance of lease certificates, carries out the following activities in order to achieve its purpose:

- To acquire all kinds of assets and rights in its own name and on behalf of lease certificate holders from the funding institution and lease them to the funding institution or third parties,
- To enter into contracts concerning the management of assets or rights belonging to the funding institution, including but not limited to leasing them for the duration of the lease without transferring ownership,
- To pay or transfer to lease certificate holders, in proportion to their shares, the income derived from the assets and rights underlying the issuance and the collections made from the fund users,
- To transfer the assets and rights subject to the contract to the funding institution or third parties at the end of the term, in the originally agreed conditions if required by the lease certificate issuance, and to pay the sales proceeds to lease certificate holders in proportion to their shares,
- To conduct the activities mentioned above in the interests of investors and in line with the Company's objectives, either with the assets it owns or without taking ownership of assets owned by third parties, and to manage, operate, and legally dispose of these assets in its own name, ensuring their management, and establish in-kind rights in favor of the funding institution or third parties, as permitted by the relevant regulations of the Capital Markets Board,
- To finance the acquisition of assets or rights by purchasing them and selling them to companies of the specified quality, with deferred payments, in accordance with the regulations of the Capital Markets Board and the characteristics specified in the relevant Communiqué,
- To establish new joint ventures based solely or in partnership with other partners on a profit and loss sharing basis, to participate in a joint venture, and to sell partnership shares,
- To act as a contractor, enter into construction contracts, lease and sell works, issue lease certificates based on construction contracts, and arrange other contracts such as service, participation, or land-for-construction to finance the construction of the work,
- To enter into contracts with fund users, funding institutions, authorized/intermediary institutions, and third parties for the purpose of carrying out the aforementioned activities, and to become a party to any commercial agreements and regulations that may be beneficial for its purpose and within the legal framework,

# ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

### 1 - THE ORGANIZATION AND BUSINESS ACTIVITY OF THE COMPANY (Continued)

- To act as the representative or trusted person of lease certificate holders, for the benefit of lease certificate holders, to secure or protect any rights and claims that have arisen or may arise in its favor, or to hedge against risks it may face, by obtaining collateral in the form of all kinds of movable and immovable mortgages (mortgages) and other in-kind and personal guarantees, to assign both existing and future receivables, to obtain guarantees provided by third parties, and to engage in all necessary legal transactions for this purpose,
- To carry out other transactions related to the issuance of lease certificates within the framework of the regulations and decisions of the Capital Markets Board, to make contracts and engage in activities, and to engage in other activities determined by the Capital Markets Board.

In addition to the matters shown above, in the future, the Company may engage in any kind of transactions and activities that are deemed beneficial and necessary within the scope of its purpose and subject to the regulations of the capital markets, provided that the necessary permissions are obtained from the Capital Markets Board.

The company's registered office address is Hobyar Eminönü Mahallesi Hayri Efendi Cad. No:12 Fatih / Istanbul.

As of 31 December 2021, the Company does not have any personnel (31 December 2020: None).

Shareholder's Title	Share Ratio	Number of Shares	Number of Stakes
Ziraat Katılım Bankası A.Ş.	100%	50.000	50.000

### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### 2.1 Basis of Presentation

##### 2.1.1 Declaration of compliance with Turkish Financial Reporting Standards ("TFRS")

The attached financial statements are prepared in accordance with the provisions of the "Communiqué on Principles of Financial Reporting in the Capital Markets" ("Communiqué") numbered II-14.1, published in the Official Gazette numbered 28676 dated 13 June 2013 and published by the Capital Markets Board ("CMB") on Public Oversight, accounting and It has been prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") put into effect by the Auditing Standards Authority ("POA"). TFRSs; It contains the Standards and Comments published by the POA under the names of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TASI and TFRSI.

In accordance with the provisions of the "Communiqué on Lease Certificates", Series III, numbered 61.1, published in the Official Gazette dated 7 June 2013 and numbered 28670 of the CMB, the assets, rights and liabilities subject to the issuance of each issue of lease certificates, as well as the income to be obtained from them and the expenses to be incurred, are included in the relevant lease certificate. are tracked separately in the accounting records on a basis, and the relevant assets and liabilities, revenues to be obtained and expenses to be incurred are shown as gross in the account items of trade receivables and borrowings in the attached financial position statement, and revenue and cost of sales in the profit or loss and other comprehensive income statement.

# ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

#### 2.1 Basis of Presentation (Continued)

The financial statements have been presented in accordance with the Turkish Financial Reporting Standards ("TFRS") Taxonomy, developed based on the financial statement templates determined in the Financial Statement Examples and Usage Guide published in the Official Gazette dated 7 June 2019, numbered 30794, by the Public Oversight, Accounting and Auditing Standards Authority ("POA").

During the first half of 2020, various measures were taken in our country, as in other countries affected by the global spread of the COVID-19 pandemic, to mitigate this adverse situation in social and economic terms. Partial changes and precautions continue to be implemented. The Company's Management monitors the effects of the pandemic on local and global markets and continues to evaluate the potential impacts of these developments on the sector in which the company operates. However, it is worth noting that the mentioned pandemic does not have a significant impact on the Company's financial statements and the continuity of its operations.

#### *Approval of financial statements:*

The financial statements were approved by the Company's Board of Directors on 11 February 2022. It's important to note that both the Company's General Assembly and relevant regulatory authorities have the right to request changes to these financial statements.

#### 2.1.2 Functional and presentation currency

The financial statements have been presented in the functional currency, which is the primary currency used in the Company's main economic environment. The financial position and results of the Company are expressed in Turkish Lira ("TL"), which is both the functional currency of the Company and the presentation currency for the financial statements. All financial information, unless otherwise specified, is presented in TL. This means that the financial statements have been prepared and reported in TL, and all financial data is presented in TL unless otherwise indicated.

#### 2.1.3 Comparatives and adjustment of prior periods' financial statements

The financial statements are prepared in a comparative manner with the previous period in order to assess the financial position, performance, and trends in cash flows of the Company. If the presentation or classification of items in the financial statements has changed to ensure comparability, the previous period financial statements are also reclassified accordingly, and explanations are provided regarding these matters.

#### 2.1.4 Offsetting

Financial assets and liabilities are presented on the balance sheet (financial statement) at their net amounts when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

#### 2.1.5 Going Concern

The company has prepared its financial statements in accordance with the going concern principle.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

**2.1.6 Changes in Accounting Policies**

Changes in accounting policies arising from the first-time application of a new TFRS are applied retrospectively in accordance with the transitional provisions of that TFRS, if any. Changes without any transitional provisions, significant changes made on a voluntary basis in accounting policies, or identified accounting errors are retrospectively applied, and the previous period financial statements are restated.

**2.1.7 Implementation of New and Revised Financial Reporting Standards**

*a. Standards, amendments and interpretations applicable as at 31 December 2021:*

- **Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific TAS 39 and TFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- **Amendments to TFRS 4 Insurance Contracts – deferral of TFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of TFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in TFRS 4 from applying TFRS 9, Financial instrument until 1 January 2023.

The expected impact of these standards on the Company's financial statements is not anticipated to be significant.

*b. Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:*

- **Amendment to TFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the Practical expedient;** as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the TASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- **TFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces TFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. TFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

- **Amendments to TAS 1, Presentation of financial statements’ on classification of liabilities;** effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to TAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the ‘settlement’ of a liability.
- **A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16;** effective from Annual periods beginning on or after 1 January 2022.
  - **Amendments to TFRS 3,** ‘Business combinations’ update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - **Amendments to TAS 16,** ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - **Amendments to TAS 37,** ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, ‘First-time Adoption of TFRS’, TFRS 9, ‘Financial instruments’, TAS 41, ‘Agriculture’ and the Illustrative Examples accompanying TFRS 16, ‘Leases’.
- **Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8;** effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
- **Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction;** from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

The company's management will assess the impact of the above-mentioned, as-yet-effective standards and standard changes on its operations and will apply them from their effective dates.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.1 Basis of Presentation (Continued)**

**2.1.8 Changes in Accounting Estimates and Errors**

Changes in accounting estimates are applied prospectively, both in the period the change is made if it relates only to that period and in future periods if it relates to future periods. There have been no significant changes in the company's accounting estimates during the current period.

**2.2 Summary of Significant Accounting Policies**

**2.2.1 Financial Instruments**

Loans and Receivables

Trade and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are measured at amortized cost using the effective interest rate method, as the contractual cash flows are intended to be collected and the contractual terms meet the criteria to lead to cash flows that include only principal and interest payments on certain dates.

Financial Liabilities

The Company's financial liabilities and equity instruments are classified according to contractual arrangements and the basis on which a financial liability and an equity instrument are defined. The contract representing the right to the remaining assets of the company after deducting all its debts is an equity-based financial instrument.

Financial liabilities are valued at discounted value using the internal rate of return method.

TFRS 9 Financial Instruments

TFRS 9 regulates the accounting and measurement provisions for financial assets and financial liabilities.

TFRS 9 establishes requirements related to the accounting and measurement of financial assets and liabilities and certain non-financial items in purchase or sale contracts. Details of significant new accounting policies and the impact and nature of changes in previous accounting policies are outlined below.

*i. Classification of Financial Assets and Liabilities*

According to TFRS 9, upon initial recognition in the financial statements, a financial asset is classified as measured at amortized cost, measured at fair value through other comprehensive income ("OCI") with fair value changes recognized in OCI - debt instruments, measured at fair value through OCI with fair value changes recognized in OCI - equity instruments, or measured at fair value through profit or loss with fair value changes recognized in profit or loss. The classification of financial assets within the scope of TFRS 9 generally depends on the business model used by the entity for managing financial assets and the characteristics of the contractual cash flows of the financial asset. The requirement for the separation of embedded derivatives from financial assets has been eliminated under the standard, and the classification of a hybrid contract as a whole should be assessed.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

A financial asset is measured at amortized cost if both of the following conditions are met, and it is not classified as measured at fair value with fair value changes recognized in profit or loss:

- Held within a business model whose objective is to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on specified dates.
- If a financial liability does not meet both of these conditions and is not classified as measured at fair value with fair value changes recognized in profit or loss, fair value changes are recognized in other comprehensive income for the financial liability:
- Held within a business model whose objective is both to collect contractual cash flows and to sell financial assets, and
- The contractual terms of the financial liability give rise to cash flows that are solely payments of principal and interest on specified dates.

In the initial recognition of investments in equity instruments not held for trading purposes, an irrevocable choice may be made to present subsequent changes in fair value in other comprehensive income. This choice can be made on an investment-by-investment basis.

All financial assets that are not measured at amortized cost or at fair value through other comprehensive income are measured at fair value with fair value changes recognized in profit or loss. In the initial recognition of financial assets in the financial statements, a financial asset may be designated as measured at fair value through profit or loss, provided that it eliminates or significantly reduces an accounting mismatch resulting from measuring financial assets differently or presenting gains or losses on them differently in the financial statements, and this designation is irrevocable.

In the initial measurement of financial assets other than those for which fair value changes are recognized in profit or loss (except for trade receivables that are measured at initial recognition at transaction price and do not have a significant financing component), transaction costs directly attributable to the acquisition or issuance of these financial assets are also added to their fair value

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

## 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

### 2.2 Summary of Significant Accounting Policies (Continued)

The following accounting policies apply to subsequent measurements of financial assets.

<b>Financial assets measured at fair value through profit or loss</b>	These assets are measured at their fair value on subsequent measurements. Net gains and losses relating thereto, including any interest or dividend income, are recognized in profit or loss.
<b>Financial assets measured at amortized cost</b>	These assets are subsequently measured at amortized cost using the effective interest method. If any, amortized costs are reduced by the amount of impairment losses. Interest income, foreign currency gains and losses and impairment losses are recognized in profit or loss. Gains or losses resulting from their derecognition are recognized in profit or loss.
<b>Debt instruments measured at fair value through other comprehensive income</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairments are recognized in the income statement. Other gains and losses are recognized in other comprehensive income. When financial assets are derecognized from the balance sheet, any previously recognized gains or losses in other comprehensive income are reclassified to the income statement.
<b>Equity instruments at fair value through other comprehensive income</b>	These assets are subsequently measured at fair value. Dividends are recognized in profit or loss unless it clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are not reclassified to profit or loss.

#### ii. Impairment of Financial Assets

According to TFRS 9, the "Expected Credit Loss" (ECL) model is applied for impairment of financial assets. This new impairment model is applicable to financial assets measured at amortized cost, contract assets, and debt instruments measured at fair value through other comprehensive income (OCI), but it does not apply to investments in equity instruments.

Financial assets measured at amortized cost consist of trade receivables and cash and cash equivalents.

Under TFRS 9, provisions for losses can be measured using any of the following principles:

- 12-month ECLs: This represents the portion of expected credit losses arising from default events that are likely to occur within the 12 months following the reporting date, and
- Lifetime ECLs: These represent expected credit losses arising from default events that are likely to occur throughout the entire expected lifetime of the financial asset.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

In determining whether there has been a significant increase in credit risk since initial recognition of a financial asset and in estimating ECLs, the Company considers reasonable and supportable information that is available without undue cost or effort, including information about expected early payments and includes quantitative and qualitative information and analyses that are based on historical credit loss experience of the Company and forward-looking information.

The Company assumes that credit risk on a financial asset has increased significantly if it is more than 30 days past due.

**2.2.2 Provisions, Contingent Assets, and Liabilities**

A provision is recognized in the financial statements when there is a present obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the obligation at the balance sheet date, taking into account the risks and uncertainties associated with the obligation. If the provision is measured using the present value of the estimated cash flows required to settle the existing obligation, then the carrying amount of the provision is equal to the present value of those cash flows.

In situations where some or all of the economic benefits required to settle the provision are expected to be reimbursed by third parties, the expected reimbursement is recognized as an asset if it is virtually certain that the reimbursement will be received and can be reliably measured.

**2.2.3 Cash Flow Statement**

In the cash flow statement, cash flows for the period are classified and reported based on main, investing and financing activities.

**2.2.4 Cash and Cash Equivalents**

Cash and cash equivalent items include cash on hand, demand deposits and other short-term investments with high liquidity, with original maturities of 3 months or less from the date of purchase, which can be converted into cash immediately and which do not carry a significant risk of change in value (Note 4).

**2.2.5 Taxes on Income**

Income tax expense comprises current and deferred tax expenses.

**NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021**

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

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**2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**

**2.2 Summary of Significant Accounting Policies (Continued)**

*Current Tax*

Current year tax liability is calculated on the taxable portion of the period profit. Taxable profit differs from the profit included in the statement of profit or loss because it excludes items that are taxable or deductible in other years and items that cannot be taxed or deducted. The Company's current tax liability is calculated using the tax rate that has been legalized or substantially legalized as of the balance sheet date (Note 9).

*Deferred Tax*

Deferred tax liability or asset is determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the legal tax base calculation, according to the balance sheet method, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from such differences by obtaining taxable profit in the future. The assets and liabilities in question are not recognized if the temporary difference related to the transaction that does not affect the commercial or financial profit/loss arises from the initial recognition of goodwill or other assets and liabilities (other than business combinations) (Note 9).

**2.2.6 Fees, commissions and profit share income and expenses**

*Fee and commission income and expenses*

Fees and commissions are generally reflected in the statement of profit or loss on the date they are collected or paid. However, export service commissions are accounted for on an accrual basis.

*Profit share income and expense*

Profit share income and expenses are recognized on an accrual basis in the income statement for the respective period.

**2.2.7 Events After The Reporting Period**

Subsequent events refer to events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they come to light after the announcement of any profit allocation or other selected financial information related to earnings.

In the event that events requiring adjustments to the financial statements arise after the balance sheet date, the Company adjusts the amounts included in the financial statements to reflect this new situation (Note 19).

**2.2.8 Related Parties**

Related parties are entities or individuals that have the ability to control or significantly influence the other party, either directly or indirectly, through ownership, contractual rights, family relationships, or similar means. This definition includes shareholders and the company's management as related parties. Transactions with related parties involve the transfer of resources and obligations between related entities, whether for consideration or at no cost (Note 16).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.2 Summary of Significant Accounting Policies (Continued)

##### 2.3 Significant Accounting Evaluations, Estimates and Assumptions

The preparation of financial statements involves making estimates and assumptions that affect the amounts of assets, liabilities, income, and expenses reported as of the balance sheet date and during the reporting period. These estimates and assumptions are based on the best judgment and information available to management at the time of preparation. However, actual results may differ from these estimates and assumptions. As of 31 December 2021, the company does not have any significant estimates or assumptions that have a material impact on its financial statements.

##### 2.4 Fees for Services Received from Independent Auditor/Independent Audit Firm

	31 December 2021	31 December 2020
Independent Audit Fee (*)	36.673	33.400
<b>TOTAL</b>	<b>36.673</b>	<b>33.400</b>

(\*) Amounts are presented excluding VAT.

#### 3 - SEGMENT REPORTING

Since the company operates in Turkey and only as an asset leasing company, no reporting description is given according to segments.

#### 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Banks		
- Private Current Account(*)	365.403	231.378
<b>TOTAL</b>	<b>365.403</b>	<b>231.378</b>

(\*) Cash and cash equivalents consist of special current accounts with Ziraat Katılım Bankası A.Ş. (Note 16). As of 31 December 2021, the amount of cash and cash equivalents is 365.403 TL, all of which are in Turkish Lira (31 December 2020: 231.378 TL).

#### 5 - TRADE RECEIVABLES

	31 December 2021	31 December 2020
Trade Receivables from Related Parties	4.050.047.880	4.013.749.697
Profit Share Accruals	106.904.953	63.749.712
<b>TOTAL</b>	<b>4.156.952.833</b>	<b>4.013.749.697</b>

(\*) The company has used the funds obtained from the issuance of lease certificates with the same amount, maturity, and profit-sharing cost to provide funds to Ziraat Katılım Bankası A.Ş. (Note 16).

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 6 - OTHER CURRENT ASSETS

	31 December 2021	31 December 2020
Other Current Assets from Related Parties	12.500	-
Other	1.065	-
<b>TOTAL</b>	<b>13.565</b>	<b>-</b>

#### 7 - BORROWINGS

##### Short-Term Borrowings

As of 31 December 2021 and 31 December 2020 the Company's short-term borrowings are as follows:

	31 December 2021	31 December 2020
<b>Issued Debt Instruments</b>	<b>4.050.000.000</b>	<b>3.950.000.000</b>
TRDZKVK12213	600.000.000	-
TRDZKVK32211	450.000.000	-
TRDZKVK12221	500.000.000	-
TRDZKVK22212	400.000.000	-
TRDZKVK22220	600.000.000	-
TRDZKVK32229	400.000.000	-
TRDZKVK32237	300.000.000	-
TRDZKVK62218	400.000.000	-
TRDZKVK42210	400.000.000	-
TRDZKVK12114	-	500.000.000
TRDZKVK12122	-	350.000.000
TRDZKVK22113	-	500.000.000
TRDZKVK22139	-	500.000.000
TRDZKVK32112	-	600.000.000
TRDZKVK32138	-	700.000.000
TRDZKVK32120	-	210.000.000
TRDZKVK62119	-	590.000.000
<b>Profit Share Accruals</b>	<b>106.876.137</b>	<b>63.749.712</b>
TRDZKVK12213	27.757.282	-
TRDZKVK32211	20.594.113	-
TRDZKVK12221	19.422.807	-
TRDZKVK22212	11.842.966	-
TRDZKVK22220	13.081.647	-
TRDZKVK32229	5.997.892	-
TRDZKVK32237	2.783.662	-
TRDZKVK62218	3.861.507	-
TRDZKVK42210	1.534.261	-
TRDZKVK12114	-	16.467.914
TRDZKVK12122	-	9.804.759
TRDZKVK22113	-	10.956.702
TRDZKVK22139	-	8.883.833
TRDZKVK32112	-	7.679.769
TRDZKVK62119	-	4.003.539
TRDZKVK32120	-	1.449.817
TRDZKVK32138	-	4.503.379
<b>TOTAL</b>	<b>4.156.876.137</b>	<b>4.013.749.712</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 – BORROWINGS (Continued)

##### Sukuk Issuance Dated 28 September 2021

Ziraat Katılım Varlık Kiralama A.Ş. issued lease certificates on 28 September 2021, with a nominal yield rate of 17,80%, a maturity period of 101 days, and a redemption date of 7 January 2022, under ISIN code TRDZKVK12213, totaling 600.000.000 TL.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 28 September 2021 are as follows:

1. Income Distribution Amount on 7 January 2022	29.552.880
Lease Certificate Payment Amount on 7 January 2022	600.000.000

##### Sukuk Issuance Dated 30 September 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 30 September 2021, a lease certificate was issued in the amount of 450.000.000 TL, with an ISIN code of TRDZKVK32211, an annual simple return rate of 18,35%, a maturity of 181 days, and a redemption date of 30 March 2022.

Details of the income distribution amounts of the 450.000.000 TL sukuk issuance dated 30 September 2021 are as follows:

1. Income Distribution Amount on 30 March 2022	40.948.155
Lease Certificate Payment Amount on 30 March 2022	450.000.000

##### Sukuk Issuance Dated 13 October 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 13 October 2021, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK12221, an annual simple return rate of 17,80%, a maturity of 98 days, and a redemption date of 19 January 2022

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 13 October 2021 are as follows:

1. Income Distribution Amount on 19 January 2022	23.895.900
Lease Certificate Payment Amount on 19 January 2022	500.000.000

##### Sukuk Issuance Dated 26 October 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 26 October 2021, a lease certificate was issued in the amount of 400.000.000 TL, with an ISIN code of TRDZKVK22212, an annual simple return rate of 16,25%, a maturity of 101 days, and a redemption date of 4 February 2022.

Details of the income distribution amounts of the 400.000.000 TL sukuk issuance dated 26 October 2021 are as follows:

1. Income Distribution Amount on 4 February 2022	17.986.320
Lease Certificate Payment Amount on 4 February 2022	400.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

##### Sukuk Issuance Dated 12 November 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 12 November 2021, a lease certificate was issued in the amount of 600.000.000 TL, with an ISIN code of TRDZKVK22220, an annual simple return rate of 16,10%, a maturity of 103 days, and a redemption date of 23 February 2022.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 12 November 2021 are as follows:

1. Income Distribution Amount on 23 February 2022	27.259.740
Lease Certificate Payment Amount on 23 February 2022	600.000.000

##### Sukuk Issuance Dated 26 November 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 26 November 2021, a lease certificate was issued in the amount of 400.000.000 TL, with an ISIN code of TRDZKVK32229, an annual simple return rate of 15,40%, a maturity of 98 days, and a redemption date of 4 March 2022.

Details of the income distribution amounts of the 400.000.000 TL sukuk issuance dated 26 November 2021 are as follows:

1. Income Distribution Amount on 4 March 2022	16.539.160
Lease Certificate Payment Amount on 4 March 2022	400.000.000

##### Sukuk Issuance Dated 9 December 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 9 December 2021, a lease certificate was issued in the amount of 300.000.000 TL, with an ISIN code of TRDZKVK62218, an annual simple return rate of 15,20%, a maturity of 180 days, and a redemption date of 7 June 2022.

Details of the income distribution amounts of the 300.000.000 TL sukuk issuance dated 9 December 2021 are as follows:

1. Income Distribution Amount on 7 June 2022	22.487.670
Income Distribution Amount on 7 June 2022	300.000.000

##### Sukuk Issuance Dated 12 December 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 12 December 2021, a lease certificate was issued in the amount of 400.000.000 TL, with an ISIN code of TRDZKVK32237, an annual simple return rate of 16,30%, a maturity of 102 days, and a redemption date of 22 March 2022.

Details of the income distribution amounts of the 400.000.000 TL sukuk issuance dated 12 December 2021 are as follows:

1. Income Distribution Amount on 22 March 2022	18.220.280
Lease Certificate Payment Amount on 22 March 2022	400.000.000

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 7 - BORROWINGS (Continued)

##### Short-Term Borrowings (Continued)

##### Sukuk Issuance Dated 24 December 2021

Ziraat Katılım Varlık Kiralama A.Ş. On 24 December 2021, a lease certificate was issued in the amount of 400.000.000 TL, with an ISIN code of TRDZKVK42210, an annual simple return rate of 17,90%, a maturity of 102 days, and a redemption date of 5 April 2022.

Details of the income distribution amounts of the 400.000.000 TL sukuk issuance dated 24 December 2021 are as follows:

1. Income Distribution Amount on 5 April 2022	20.008.760
Lease Certificate Payment Amount on 5 April 2022	400.000.000

##### Lease Certificates that Have Been Redeemed

Fund User	ISIN Code	Issuance Amount	Issuance Date	Redemption date	Maturity Date	Profit Share
Ziraat Katılım Bankası A.Ş.	TRDZKVK92116	250.000.000,00	30.03.2021	29.06.2021	91	10.976.100,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK72118	500.000.000,00	26.03.2021	6.07.2021	102	11.586.925,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK72126	600.000.000,00	14.04.2021	14.07.2021	91	26.547.950,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK82117	600.000.000,00	28.04.2021	6.08.2021	100	28.122.720,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK82125	400.000.000,00	25.05.2021	25.08.2021	92	30.821.940,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK92124	300.000.000,00	4.06.2021	10.09.2021	98	18.904.120,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK92132	400.000.000,00	22.06.2021	28.09.2021	98	15.102.750,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2112	500.000.000,00	6.07.2021	13.10.2021	99	20.137.000,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2120	600.000.000,00	14.07.2021	26.10.2021	104	25.563.700,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2114	600.000.000,00	6.08.2021	12.11.2021	98	32.225.760,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK2122	400.000.000,00	25.08.2021	26.11.2021	93	30.286.020,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK42116	300.000.000,00	10.09.2021	10.12.2021	91	19.160.560,00

The following lease certificates listed below have been issued by Ziraat Katılım Varlık Kiralama A.Ş. and, as of 31 December 2021, have not yet matured. Lease certificates are arranged by their remaining tenors. Each lease certificate issuance is in accordance with the relevant Management Agreement signed between Ziraat Katılım Bankası A.Ş., as the Fund User, and Ziraat Katılım Varlık Kiralama A.Ş., and consists of assets and rights owned by Ziraat Katılım Varlık Kiralama A.Ş., which are present (or will be created from the proceeds of the issuance) in the balance sheet of the Fund User, as Assets and Rights, in accordance with the terms of the Management Agreement.

Fund User	ISIN Code	Issuance Amount	Issuance Date	Redemption date	Remaining Days to Maturity	Annual Simple Interest Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK12213	600.000.000,00	28.09.2021	7.01.2022	7	17,80%
Ziraat Katılım Bankası A.Ş.	TRDZKVK32211	450.000.000,00	30.09.2021	30.03.2022	89	18,35%
Ziraat Katılım Bankası A.Ş.	TRDZKVK12221	500.000.000,00	13.10.2021	19.01.2022	19	17,80%
Ziraat Katılım Bankası A.Ş.	TRDZKVK22212	400.000.000,00	26.10.2021	4.02.2022	35	16,25%
Ziraat Katılım Bankası A.Ş.	TRDZKVK22220	600.000.000,00	12.11.2021	23.02.2022	54	16,10%
Ziraat Katılım Bankası A.Ş.	TRDZKVK32229	400.000.000,00	26.11.2021	4.03.2022	63	15,40%
Ziraat Katılım Bankası A.Ş.	TRDZKVK32237	400.000.000,00	10.12.2021	22.03.2022	81	16,30%
Ziraat Katılım Bankası A.Ş.	TRDZKVK62218	300.000.000,00	9.12.2021	7.06.2022	158	15,20%
Ziraat Katılım Bankası A.Ş.	TRDZKVK42210	400.000.000,00	24.12.2021	5.04.2022	95	17,90%

Assets and Rights; In accordance with Article 19(1)(ç) of the Regulation on Banks' Credit Transactions published by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 1 November 2016 and numbered 26333, it is one of the financing methods of participation banks and is provided by the Bank to Individual/Corporate It refers to financing transactions and financial leasing transactions that will be made available or have been made available to customers on behalf of the Asset Leasing Company.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 8 - TRADE PAYABLES

	31 December 2021	31 December 2020
Trade Payables to Third Parties	76.696	-
<b>TOTAL</b>	<b>76.696</b>	<b>-</b>

#### 9 - TAX ASSETS AND LIABILITIES

The provisions of Law No. 5520, the New Corporate Income Tax Law, became effective on 1 January 2006, as published in the Official Gazette dated 21 June 2006, with issue number 26205. Accordingly, in Turkey, the corporate income tax rate is 20% as of 1 January 2006. Additionally, Law No. 7061, titled "Law on Making Amendments in Some Tax Laws and Other Laws," was published in the Official Gazette with issue number 30261 on 5 December 2017.

With the temporary article added to Article 32 of Law No. 5520, the corporate income tax rate was set at 22% for the corporate profits of the years 2018, 2019, and 2020. Furthermore, as of 1 July 2021, based on the provisions in Articles 11 and 14 of the "Law on the Procedure for Collecting Public Receivables and Making Amendments in Some Laws" published in the Official Gazette with issue number 31462 on 22 April 2021, the corporate income tax rates were revised to 25% for the fiscal year 2021 profits and 23% for the fiscal year 2022 profits, starting from the submission of the declarations and beginning from 1 January 2021, for the fiscal years.

The company is subject to the tax legislation and practices currently in effect in Turkey.

According to the Corporate Tax Law, financial losses declared on the tax return can be deducted from the taxable income for the period, provided that they do not exceed five years. Tax returns and related accounting records can be examined by the tax authorities within five years, and tax calculations can be revised.

As of 31 December 2021, and 31 December 2020, the company's tax liabilities are detailed as follows:

	31 December 2021	31 December 2020
Current Income Tax Liabilities	16.771	15.651
<b>Tax Liabilities</b>	<b>16.771</b>	<b>15.651</b>

The tax expense details for the periods ending on 31 December 2021, and 31 December 2020, are as follows:

	31 December 2021	31 December 2020
Tax Expense	58.668	26.760
<b>Total</b>	<b>58.668</b>	<b>26.760</b>

As of 31 December 2021, after netting the corporate tax provision and the corporate tax paid, the remaining amount is recorded in the "corporate tax payable" or "assets related to current period tax" account within the "current profit tax liability" account.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 9 - TAX ASSETS AND LIABILITIES (Continued)

	31 December 2021	31 December 2020
Current Year Corporate Tax Expense	58.668	26.760
Taxes Paid (-)	(41.897)	(11.109)
<b>Current Tax Liability</b>	<b>16.771</b>	<b>15.651</b>

As of 31 December 2021, the Company does not have any deferred tax assets or liabilities (31 December 2020: None).

#### 10- OTHER LIABILITIES

	31 December 2021	31 December 2020
<b><i>Other Current Liabilities</i></b>		
Advances Taken from Related Parties	12.500	41.497
VAT Payable	4.920	4.924
Income Tax Payable	1.202	-
Income Withholdings Payable	797	2.577
Stamp Duty Payable	61	-
<b>TOTAL</b>	<b>19.480</b>	<b>48.998</b>

#### 11 - EQUITY

As of 31 December 2021, the Company's paid-in capital amount is 50.000 TL, consisting of 50.000 shares, each with a nominal value of 1 TL (31 December 2020: 50.000 TL). The Company does not have any preferred shares as of 31 December 2021.

The Company's legal capital and ownership structure are as follows:

	31 December 2021		31 December 2020	
	Paid-in Share Capital	Partnership Structure	Paid-in Share Capital	Partnership Structure
Ziraat Katılım Bankası A.Ş.	50.000	100%	50.000	100%

#### ***Prior Years' Income***

The company has 111.969 TL of prior years income. (31 December 2020: 21.836 TL).

#### 12 - REVENUE

	31 December 2021	31 December 2020
Profit Share Income	606.587.851	327.136.577
<b>TOTAL</b>	<b>606.587.851</b>	<b>327.136.577</b>

(\*) The company includes its profit share income derived from the utilization of funds it obtained from the issuance of lease certificates to Ziraat Katılım Bankası A.Ş., with the same amount, maturity, and profit-sharing cost.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 13 - COST OF SALES

	31 December 2021	31 December 2020
Profit Share Expenses	606.587.851	327.136.577
<b>TOTAL</b>	<b>606.587.851</b>	<b>327.136.577</b>

The details of profit share expense paid for the lease certificates issued for the periods ending on 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
TRDZKVK12114	890.986	16.467.914
TRDZKVK12122	3.159.625	9.804.759
TRDZKVK22113	8.374.798	10.956.702
TRDZKVK22139	11.118.917	8.883.833
TRDZKVK32112	19.347.351	7.679.769
TRDZKVK62119	46.450.370	4.003.539
TRDZKVK32120	7.601.477	1.449.817
TRDZKVK32138	27.635.231	4.503.379
TRDZKVK42111	17.009.055	-
TRDZKVK42129	15.703.030	-
TRDZKVK52110	19.729.319	-
TRDZKVK62127	19.178.080	-
TRDZKVK62135	19.979.160	-
TRDZKVK72118	26.547.950	-
TRDZKVK92116	22.563.025	-
TRDZKVK72126	28.122.720	-
TRDZKVK82117	30.821.940	-
TRDZKVK82125	18.904.120	-
TRDZKVK92124	15.102.750	-
TRDZKVK92132	20.137.000	-
TRDZKVK2112	25.563.700	-
TRDZKVK2120	32.225.760	-
TRDZKVK2114	30.286.020	-
TRDZKVK2122	19.160.560	-
TRDZKVK2116	14.098.770	-
TRDZKVK12213	27.757.282	-
TRDZKVK32211	20.594.113	-
TRDZKVK12221	19.422.807	-
TRDZKVK22212	11.842.966	-
TRDZKVK22220	13.081.647	-
TRDZKVK32229	5.997.892	-
TRDZKVK62218	2.783.662	-
TRDZKVK32237	3.861.507	-
TRDZKVK42210	1.534.261	-
TRDZKVK12023	-	1.436.551
TRDZKVK12031	-	4.005.236
TRDZKVK22014	-	10.751.039
TRDZKVK32013	-	10.830.168
TRDZKVK42012	-	15.144.882
TRDZKVK42020	-	10.258.077
TRDZKVK52011	-	12.484.947
TRDZKVK62010	-	17.876.877
TRDZKVK62028	-	13.426.047
TRDZKVK72019	-	14.071.247
TRDZKVK72027	-	16.924.917
TRDZKVK82018	-	16.915.077
TRDZKVK82026	-	6.785.757
TRDZKVK92017	-	18.511.757
TRDZKVK92025	-	11.428.747
TRDZKVK2013	-	15.411.477
TRDZKVK2015	-	13.946.278
TRDZKVK2023	-	20.110.158
TRDZKVK2017	-	10.293.688
TRDZKVK2025	-	22.773.938
<b>TOTAL</b>	<b>606.587.851</b>	<b>327.136.577</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 14 - GENERAL ADMINISTRATIVE EXPENSES

	31 December 2021	31 December 2020
Issuance Related Expenses	13.599.063	15.016.179
Audit and Consultancy Expenses	49.453	33.302
Board Member Attendance Allowance Expenses	33.535	201.702
Rent Expenses	3.600	-
Stamp Duty	2.655	1.657
Notary Registration Expenses	2.323	1.250
Chamber of Commerce Registration Fee	7.847	1.405
Other Miscellaneous Expenses	1.231	3.584
<b>TOTAL</b>	<b>13.699.707</b>	<b>15.259.079</b>

#### 15 – OTHER OPERATING INCOME

	31 December 2021	31 December 2020
Service Commission Income (*)	13.934.378	15.380.717
<b>TOTAL</b>	<b>13.934.378</b>	<b>15.380.717</b>

(\*) The costs related to issuances incurred for Ziraat Katılım Bankası A.Ş. consist of accounting processes for reflection.

#### 16 - RELATED PARTIES

- 1) As of 31 December 2021, the details of receivables and payables from related parties are as follows:

##### Cash and Cash Equivalents

	31 December 2021	31 December 2020
-Ziraat Katılım Bankası A.Ş (Note 4)	365.403	231.378
<b>TOTAL</b>	<b>365.403</b>	<b>231.378</b>

##### Trade Receivables

	31 December 2021	31 December 2020
-Ziraat Katılım Bankası A.Ş (Note 5)	4.156.952.833	4.013.749.697
<b>TOTAL</b>	<b>4.156.952.833</b>	<b>4.013.749.697</b>

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 16 - RELATED PARTIES (Continued)

##### Other Current Assets from Related Parties

	31 December 2021	31 December 2020
-ZKB Varlık Kiralama A.Ş (Note 6)	12.500	-
<b>TOTAL</b>	<b>12.500</b>	<b>-</b>

##### Other Current Liabilities to Related Parties

	31 December 2021	31 December 2020
-Ziraat Katılım Bankası A.Ş (Note 10)	12.500	41.497
<b>TOTAL</b>	<b>12.500</b>	<b>41.497</b>

2) As of 31 December 2021, the details of income and expenses from related parties are as follows:

##### Income from Related Party Transactions

	31 December 2021	31 December 2020
-Ziraat Katılım Bankası A.Ş – Profit Share Income	606.587.851	327.136.577
-Ziraat Katılım Bankası A.Ş - Service Commission Income	13.934.378	15.380.717
<b>TOTAL</b>	<b>620.522.229</b>	<b>342.517.294</b>

#### 17 – NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS

##### 17.1 Equity Related Risks

The Company aims to increase its profits by maintaining a balance between debt and equity while conducting its activities.

##### 17.2. Financial Risks

The company is exposed to credit risk and liquidity risk due to its activities.

##### 17.2.1 Credit Risk

The financial instruments held by the Company include counterparty credit risk due to the counterparty's failure to fulfill the terms of the agreement.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 17 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### Credit risks exposed by financial instrument types

31 December 2021	Receivables					Deposits in Banks
	Trade Receivables		Other Receivables			
	Related Party	Other Party	Related Party	Other Party		
Maximum credit risk exposed as of balance sheet date 31 December 2022	4.156.952.833	-	12.500	1.065	365.403	
- The part of maximum risk under guarantee with collaterals etc.	-	-	-	-	-	
A. Net book value of financial assets that are neither past due nor impaired	4.156.952.833	-	12.500	1.065	365.403	
B. The net book value of financial assets that have had their terms renegotiated, otherwise, they would be considered past due or impaired	-	-	-	-	-	
C. Net book value of financial assets past due but not impaired	-	-	-	-	-	
- The portion secured by collateral, etc.	-	-	-	-	-	
D. Net book value of impaired assets	-	-	-	-	-	
- Not overdue (Gross carrying amount)	-	-	-	-	-	
- Impairment	-	-	-	-	-	
- The part under guarantee with collaterals, etc.	-	-	-	-	-	
- Overdue (Gross carrying amount)	-	-	-	-	-	
- Impairment	-	-	-	-	-	
E. Off-balance sheet items	-	-	-	-	-	

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

	Receivables				Deposits in Banks
	Trade Receivables		Other Receivables		
	Related Party	Other Party	Banks	Other Party	
31 December 2020					
Maximum credit risk exposed as of balance sheet date 31 December 2022	4.013.749.697	-	-	-	231.378
- The part of maximum risk under guarantee with collaterals etc.	-	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	4.013.749.697	-	-	-	231.378
B. The net book value of financial assets that have had their terms renegotiated, otherwise, they would be considered past due or impaired	-	-	-	-	-
C. Net book value of financial assets past due but not impaired	-	-	-	-	-
- The portion secured by collateral, etc.	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-
- Not overdue (Gross carrying amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
- The part under guarantee with collaterals, etc.	-	-	-	-	-
- Overdue (Gross carrying amount)	-	-	-	-	-
- Impairment	-	-	-	-	-
E. Off-balance sheet items	-	-	-	-	-

(\*) In determining the amount, factors that increase credit reliability, such as guarantees received, were not taken into account.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 17 - NATURE AND LEVEL OF RISKS DERIVED FROM FINANCIAL INSTRUMENTS (Continued)

##### 17.2.2 Liquidity Risk

Management of liquidity risk is the responsibility of the company's Board of Directors. The board of directors has established an appropriate liquidity risk management structure for the liquidity requirements of the company. The Company manages liquidity risk by regularly monitoring liquidity risk and ensuring adequate availability of funds and borrowing reserves by matching the maturities of financial assets and liabilities.

##### Liquidity Risk Table

31 December 2021	Up to 1 month	1 to 12 months	1 to 5 years	Demand	Total
Cash and cash equivalents	-	-	-	365.403	365.403
Trade Receivables	-	4.156.952.833	-	-	4.156.952.833
Other Current Assets	13.565	-	-	-	13.565
<b>Total Assets</b>	<b>13.565</b>	<b>4.156.952.833</b>	<b>-</b>	<b>365.403</b>	<b>4.157.331.801</b>
Lease Certificates Issued	-	4.156.876.137	-	-	4.156.876.137
Other Current Liabilities	89.196	23.751	-	342.717	455.664
<b>Total Liabilities</b>	<b>89.196</b>	<b>4.156.899.888</b>	<b>-</b>	<b>342.717</b>	<b>4.157.331.801</b>
<b>Liquidity Risk</b>	<b>(75.631)</b>	<b>52.945</b>	<b>-</b>	<b>22.686</b>	<b>-</b>

31 December 2020	Up to 1 month	1 to 12 months	1 to 5 years	Demand	Total
Cash and cash equivalents	-	-	-	231.378	231.378
Trade Receivables	-	4.013.749.697	-	-	4.013.749.697
Other Current Assets	-	-	-	-	-
<b>Total Assets</b>	<b>-</b>	<b>4.013.749.697</b>	<b>-</b>	<b>231.378</b>	<b>4.013.981.075</b>
Lease Certificates Issued	-	4.013.749.712	-	-	4.013.749.712
Other Current Liabilities	41.497	23.152	-	166.714	231.363
<b>Total Liabilities</b>	<b>41.497</b>	<b>4.013.772.864</b>	<b>-</b>	<b>166.714</b>	<b>4.013.981.075</b>
<b>Liquidity Risk</b>	<b>(41.497)</b>	<b>(23.167)</b>	<b>-</b>	<b>64.664</b>	<b>-</b>

##### 17.3 Market Risk

The company is not exposed to market risk since it has no foreign currency assets and liabilities and no purchase or sale commitments.

## ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL) unless otherwise specified.)

#### 18 - FAIR VALUE DISCLOSURES OF FINANCIAL INSTRUMENTS

	Book value 31 December 2021	Fair value 31 December 2021
<u>Financial Assets</u>		
<i>Trade Receivables from Related Parties</i>	4.156.952.833	4.156.952.833
<u>Financial Obligations</u>		
<i>Short-Term Borrowings from Third Parties</i>	4.156.876.137	4.156.876.137

	Book value 31 December 2020	Fair value 31 December 2020
<u>Financial Assets</u>		
<i>Trade Receivables from Related Parties</i>	4.013.749.697	4.013.749.697
<u>Financial Obligations</u>		
<i>Short-Term Borrowings from Third Parties</i>	4.013.749.712	4.013.749.712

It is assumed that there is no significant difference between the fair value and book value of financial assets and liabilities due to their short-term nature.

#### 19 - EVENTS AFTER THE REPORTING PERIOD

The company conducted sukuk issuances on 7 January 2022 and 19 January 2022 with the following details:

##### Sukuk Issuance Dated 7 January 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 7 January 2022, a lease certificate was issued in the amount of 600.000.000 TL, with a simple annual return rate of 20,00%, a maturity of 98 days, and a redemption date of 15 April 2022, with the code TRDZKVK42228ISIN.

Details of the income distribution amounts of the 600.000.000 TL sukuk issuance dated 7 January 2022 are as follows:

1. Income Distribution Amount on 15 April 2022	32.219.160
Lease Certificate Payment Amount on 15 April 2022	600.000.000

##### Sukuk Issuance Dated 19 January 2022

Ziraat Katılım Varlık Kiralama A.Ş. On 19 January 2022, a lease certificate was issued in the amount of 500.000.000 TL, with an ISIN code of TRDZKVK42236, an annual simple return rate of 19,50%, a maturity of 98 days, and a redemption date of 27 April 2022.

Details of the income distribution amounts of the 500.000.000 TL sukuk issuance dated 19 January 2022 are as follows:

1. Income Distribution Amount on 27 April 2022	26.178.100
Lease Certificate Payment Amount on 27 April 2022	500.000.000

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