

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.

<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<p data-bbox="272 800 773 867"><i>Expected credit losses for loans and receivables</i></p> <p data-bbox="272 913 857 1423">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 data-bbox="272 1470 862 1871">The Group recognizes provision for impairment in accordance with “IFRS 9 Financial Instruments” (“IFRS 9”) requirements effective in line with the “Regulation on the Procedures and Principles for Classification of Loans and Provisions to be Provided” as published in the Official Gazette dated 22 June 2016 numbered 29750. The Group exercises significant decisions using subjective judgement, interpretation and assumptions over when and how much to record as loan impairment.</p>	<p data-bbox="896 913 1471 1203">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 data-bbox="896 1249 1495 1833">For important loan portfolios, we checked appropriateness of matters considered in methodology applied by the Group with IFRS 9 for calculation of the provision amount through stage classification of loans 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>



<i>Key Audit Matters</i>	<i>How the key audit matter was addressed in the audit</i>
<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's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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
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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.

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
Tel No : 0 216 559 22 56
Facsimile : 0 212 404 10 81

SECTION ONE
General Information about the Group

	Page Number
I. History of the Parent Bank including its incorporation date, initial legal status and amendments to legal status	1
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	2
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	2
IV. Information about the persons and institutions that have qualified shares attributable to the Parent Bank	3
V. Explanations of the Parent Bank's services and field of operations	3
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	3
VII. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between the Parent Bank and its subsidiaries	3

SECTION TWO
Consolidated Financial Statements

I. Consolidated balance sheet (Statement of Financial Position)	5-6
II. Consolidated statement of off-balance sheet commitments	7
III. Consolidated statement of profit or loss	8
IV. Consolidated statement of profit or loss and other comprehensive income	9
V. Consolidated Statement of changes in shareholders' equity	10
VI. Consolidated statement of cash flows	11
VII. Consolidated statement of profit distribution	12

SECTION THREE
Explanations on Accounting Policies

I. Explanations on basis of presentation	13
II. Explanations on strategy of using financial instruments and foreign currency transactions	14
III. Explanations on consolidated subsidiaries	14-15
IV. Explanations on forward and option contracts and derivative instruments	15
V. Explanations on profit share income and expense	15
VI. Explanations on fees and commission income and expenses	16
VII. Explanations on financial assets	16-18
VIII. Explanations on impairment of financial assets	18-21
IX. Explanations on offsetting of financial assets and liabilities	21
X. Explanations on sales and repurchase agreements and lending of securities	21
XI. Explanations on assets held for sale and discontinued operations and related liabilities	21-22
XII. Explanations on goodwill and other intangible assets	22
XIII. Explanations on tangible assets	22-23
XIV. Explanations on leasing transactions	23-24
XV. Explanations on provisions, contingent asset and liabilities	24
XVI. Explanations on obligations related to employee rights	25-26
XVII. Explanations on taxation	27-29
XVIII. Explanations on additional disclosures on borrowings	29
XIX. Explanations on share certificates issued	29
XX. Explanations on acceptances	29
XXI. Explanations on government incentives	29
XXII. Related Parties	30
XXIII. Explanations on cash and cash equivalents	30
XXIV. Explanations on segment reporting	30
XXV. Explanations on other matters	30

SECTION FOUR
Explanations on the Financial Position and Risk Management

I. Explanations on shareholders' equity	31-39
II. Explanation on credit risk	39-47
III. Risks included in the cyclical capital buffer calculation	48
IV. Explanations on the consolidated currency risk	48-49
V. Equity share position risk on banking accounts	50
VI. Explanations related to consolidated liquidity risk management and liquidity coverage ratio	50-56
VII. Explanations on consolidated leverage ratio	56
VIII. Explanations on securitization positions	57
IX. Explanations on risk management	57-69
X. Explanations on risk protection procedures	70
XI. Explanations on counterparty credit risk	70-76
XII. Explanations on consolidated operating segments	77-78
XIII. Explanation on the fair value realization of financial assets and liabilities	79-80
XIV. Explanations on the activities carried out on behalf and on account of other parties	80

SECTION FIVE
Explanations and Notes Related to Consolidated Financial Statements

I. Explanations and notes related to consolidated assets	81-96
II. Explanations and notes related to consolidated liabilities	96-104
III. Explanations and notes related to consolidated off-balance sheet accounts	105-108
IV. Explanations and notes related to the statement of consolidated profit or loss	108-113
V. Explanations and notes related to the changes in shareholders' equity	113-114
VI. Explanations and notes related to the statement of consolidated cash flow	114
VII. Explanations and notes related to the risk group of the Parent Bank	114-116
VIII. Significant events and matters arising subsequent to consolidated balance sheet date	116

SECTION SIX
Other Explanations and Notes

I. Information on the Parent Bank's rating that has been determined by international rating agencies	117
II. Other explanations on the Group's operations	117

SECTION SEVEN
Explanations on Independent Audit Report

I. Matters to be explained on the independent auditor's report	118
II. Explanations and notes prepared by the independent auditors	118

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”))

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. ^(*)	2.650.000	99,99999984	1.750.000	99,99999996
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. ^(**)	-	0,00000004	-	0,00000001
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş. ^(**)	-	0,00000004	-	0,00000001
Ziraat Teknoloji A.Ş.	-	0,00000004	-	0,00000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,00000004	-	0,00000001
Total	2.650.000	100,00	1.750.000	100,00

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

(**) 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
Board of Directors	
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
Assistant General Manager	
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	-
Total	2.650.000	100,00	2.650.000	-

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”))

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-1)	Current Period (31/12/2022)			Prior Period (31/12/2021)		
		TRY	FC	Total	TRY	FC	Total
I. FINANCIAL ASSETS (Net)		21.635.778	37.540.469	59.176.247	7.906.952	21.137.037	29.043.989
1.1 Cash And Cash Equivalents		6.424.337	31.780.105	38.204.442	3.074.376	15.564.971	18.639.347
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
1.2 Financial Assets Measured At Fair Value Through Profit/Loss	(3)	-	2.133.604	2.133.604	-	1.795.316	1.795.316
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		-	-	-	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(4)	15.197.112	3.626.618	18.823.730	4.819.812	3.769.758	8.589.570
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	-	10.412
1.3.3 Other Financial Assets		4.781	-	4.781	658.241	-	658.241
1.4 Derivative Financial Assets	(5)	14.329	142	14.471	12.764	6.992	19.756
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		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		99.369.290	50.812.921	150.182.211	36.662.193	31.065.684	67.727.877
2.1 Loans	(6)	84.712.509	41.627.471	126.339.980	33.940.247	24.648.305	58.588.552
2.2 Lease Receivables	(6)	14.356.192	6.879.132	21.235.324	4.090.120	5.456.144	9.546.264
2.3 Measured at Amortized Cost	(7)	2.715.329	2.608.614	5.323.943	-	1.327.957	1.327.957
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		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		2.414.740	302.296	2.717.036	1.368.174	366.722	1.734.896
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	274.644	-	274.644	307.881	-	307.881
3.1 Assets Held for Sale		274.644	-	274.644	307.881	-	307.881
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	-	-	-	-	-	-
4.1 Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	594.099	843	594.942	301.045	874	301.919
VI. INTANGIBLE ASSETS (Net)	(11)	342.454	-	342.454	223.839	-	223.839
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		342.454	-	342.454	223.839	-	223.839
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(13)	788.020	-	788.020	301.329	-	301.329
X. OTHER ASSETS	(14)	925.248	73.157	998.405	550.677	58.127	608.804
TOTAL ASSETS		123.929.533	88.427.390	212.356.923	46.253.916	52.261.722	98.515.638

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
I. FUNDS COLLECTED	(1)	105.446.074	67.693.024	173.139.098	29.714.656	48.219.141	77.933.797
II. FUNDS BORROWED	(2)	341.719	4.182.250	4.523.969	319.918	1.688.051	2.007.969
III. MONEY MARKETS DEBTS	(3)	57.003	7.498.996	7.555.999	3.784.645	-	3.784.645
IV. SECURITIES ISSUED (Net)	(4)	4.394.241	-	4.394.241	4.360.022	-	4.360.022
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(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		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	335.946	-	335.946	194.453	10	194.463
VIII. PROVISIONS	(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
IX. CURRENT TAX LIABILITY	(9)	1.487.212	2	1.487.214	350.441	-	350.441
X. DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
XI. LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
11.1 Held for Sale Purpose		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	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		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	2.056.100	1.317.502	3.373.602	920.890	1.266.851	2.187.741
XIV. SHAREHOLDERS' EQUITY	(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
TOTAL LIABILITIES		128.580.493	83.776.430	212.356.923	45.632.292	52.883.346	98.515.638

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
A		28.889.269	34.877.714	63.766.983	10.306.712	24.268.204	34.574.916
I. GUARANTEES AND WARRANTIES	(1)	21.569.718	23.621.764	45.191.482	8.271.172	21.332.293	29.603.465
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
II. COMMITMENTS	(1)	2.401.997	428.407	2.830.404	1.386.946	313.520	1.700.466
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		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		4.917.554	10.827.543	15.745.097	648.594	2.622.391	3.270.985
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. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		131.287.786	32.489.349	163.777.135	70.066.806	20.237.127	90.303.933
IV. ITEMS HELD IN CUSTODY		8.152.999	13.565.085	21.718.084	5.132.707	6.230.163	11.362.870
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
V. PLEDGES RECEIVED		123.134.787	18.924.264	142.059.051	64.934.099	14.006.964	78.941.063
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		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		160.177.055	67.367.063	227.544.118	80.373.518	44.505.331	124.878.849

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”))

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME/EXPENSE ITEMS	Notes (V-IV)	Current Period 01/01-31/12/2022	Prior Period 01/01-31/12/2021
I. PROFIT SHARE INCOME	(1)	20.231.260	6.259.916
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
II. PROFIT SHARE EXPENSE	(2)	12.488.773	4.745.377
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
III. NET PROFIT SHARE INCOME/EXPENSE (I - II)		7.742.487	1.514.539
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		245.945	147.334
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
V. DIVIDEND INCOME	(3)	774	-
VI. NET TRADING INCOME (Net)	(4)	1.214.691	214.813
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
VII. OTHER OPERATING INCOME	(5)	876.254	551.638
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		10.080.151	2.428.324
IX. EXPECTED CREDIT LOSSES (-)	(6)	1.869.894	958.562
X. OTHER PROVISIONS (-)	(6)	1.061.736	30.041
XI. PERSONNEL EXPENSES (-)		798.367	317.383
XII. OTHER OPERATING EXPENSES (-)	(7)	886.388	392.167
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		5.463.766	730.171
XIV. INCOME RESULTED FROM MERGERS		-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XVI)	(8)	5.463.766	730.171
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(1.623.494)	(171.482)
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
XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)	(10)	3.840.272	558.689
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Assets Held for Sale		-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses on Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses from Other Discontinued Operations		-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)		-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Charge		-	-
23.2 Expense Effect of Deferred Tax (+)		-	-
23.3 Income Effect of Deferred Tax (-)		-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-
XXV. NET PROFIT/LOSS (XVIII+XXIV)	(11)	3.840.272	558.689
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
I. CURRENT PERIOD PROFIT/LOSS	3.840.272	558.689
II. OTHER COMPREHENSIVE INCOME	2.316.438	28.773
2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss	(87.182)	173
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)
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	2.403.620	28.600
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)
III. TOTAL COMPREHENSIVE INCOME (I+II)	6.156.710	587.462

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						
PRIOR PERIOD																
31 DECEMBER 2021																
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 Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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 to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-
Period End Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	-	558.689	4.321.735	-	4.321.735
CURRENT PERIOD																
31 DECEMBER 2022																
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735	-	4.321.735
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	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735	-	4.321.735
IV. Total Comprehensive Income	-	-	-	-	-	(87.471)	289	-	2.403.620	-	-	-	3.840.272	6.156.710	-	6.156.710
V. Capital Increase by Cash	900.000	-	-	-	-	-	-	-	-	-	-	-	-	900.000	-	900.000
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	-	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	2.650.000	-	-	261.513	-	(94.366)	289	-	2.422.877	-	2.297.860	-	3.840.272	11.378.445	-	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
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities	7.465.717	1.476.308
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)
1.2	Changes in Operating Assets and Liabilities	16.013.785	4.121.148
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
I.	Net Cash Provided from Banking Operations	23.479.502	5.597.456
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from Investing Activities	(10.867.099)	(3.174.968)
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	-	-
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities	115.130	743.547
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	-	-
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(1)	207.266
V.	Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)	(1)	3.373.301
VI.	Cash And Cash Equivalents At The Beginning Of The Period	(1)	4.686.157
VII.	Cash And Cash Equivalents At The End Of The Period	(1)	8.059.458

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)
I. DISTRIBUTION OF PERIOD PROFIT		
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)
A. NET PROFIT (1.1-1.2)	3.840.272	558.689
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. DISTRIBUTABLE NET PROFIT [(A- (1.3 + 1.4 + 1.5))]	3.840.272	530.755
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	-	-
II. DISTRIBUTION OF RESERVES		
2.1 Reserves Distributed	-	-
2.2 Second Order Legal Reserves (-)	-	-
2.3 Share to Shareholders (-)	-	-
2.3.1 Shareholders	-	-
2.3.2 To Privileged Stock Owners	-	-
2.3.3 Participation in Redeemable Certificates	-	-
2.3.4 To Profit Participation Bonds	-	-
2.3.5 To Profit and Loss Sharing Certificate Holders	-	-
2.4 Share to Personnel (-)	-	-
2.5 Share to the Board of Directors (-)	-	-
III. EARNINGS PER SHARE		
3.1 Shareholders (***)	-	0,3193
3.2 Shareholders (%)	-	31,9250
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 Shareholders	-	-
4.2 Shareholders (%)	-	-
4.3 To 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.

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)

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.

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)

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
31 DECEMBER 2022**

(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.

**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)

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.

**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)

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.

**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)

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.

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)

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.

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)

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

**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)

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

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

The right of use asset is recognized first by cost method and includes below:

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

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

- a) 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.

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)

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.

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)

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.

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)

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 reassurance 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.

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)

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.

**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)

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

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

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

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

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

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

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
COMMON EQUITY TIER 1 CAPITAL		
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	-	-
Common Equity Tier 1 Capital Before Deductions	12.461.204	4.466.848
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	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

(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
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier I Capital	723.304	397.606
Total Common Equity Tier I Capital	11.737.900	4.069.242
ADDITIONAL TIER I CAPITAL		
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)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank’s additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	2.257.081	1.150.435
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	13.994.981	5.219.677
TIER II CAPITAL		
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
Tier II Capital Before Deductions	1.915.573	1.529.704
Deductions From Tier II Capital	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank’s Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	1.915.574	1.529.704
Total Capital (The sum of Tier I Capital and Tier II Capital)	15.910.555	6.749.381

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
Total of Original Capital and Supplementary Capital (Total Capital)	15.910.555	6.749.381
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
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds	-	-
TOTAL CAPITAL		
Total Capital (Total capital and contribution capital)	15.901.345	6.747.612
Total risk weighted amounts	102.160.655	48.142.064
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	11.49	8.45
Tier 1 Capital Adequacy Ratio (%)	13.70	10.84
Capital Adequacy Ratio (%)	15.57	14.02
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2,50	2,50
a) Capital conservation buffer requirement (%)	2,50	2,50
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,99	3,95
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	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	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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
Regulatory treatment	
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	-
Coupons/dividends^(*)	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	16,25%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 8
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-

(*) Profit share for participation banks.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS 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
Regulatory treatment	
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	-
Coupons/dividends^(*)	
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	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 8
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-

(*) 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
Regulatory treatment	
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	-
Coupons/dividends^(*)	
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	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 8
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-

(*) 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
Regulatory treatment	
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	-
Coupons/dividends (*)	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7
Details of 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
Regulatory treatment	
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	-
Coupons/dividends (*)	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7
Details of incompliances 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
Balance sheet equity value	11.378.445	4.321.735
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
Amount taken into consideration in the calculation of legal equity	15.901.345	6.747.612

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”.

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)

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

	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 receivables from 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
Current Period 31.12.2022																	
Domestic	39.418.257	-	353.890	-	-	8.765.418	72.591.847	3.634.937	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 (*)	-	-	-	-	-	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 (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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																	
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 (*)	-	-	-	-	-	736.779	-	283	-	-	-	-	-	-	-	-	737.062
Off-shore Banking Regions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
USA, Canada	-	-	-	-	-	204.224	-	198.913	-	-	-	-	-	-	-	-	198.913
Other Countries	-	-	-	-	-	251.110	101.644	8	-	-	63.692	-	-	-	-	-	416.454
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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																			Total
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from national 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	Conditional and unconditional 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 corporatse	Investments similar to collective investment funds	Other receivables	TRY	FC		
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	-	-	-	-	-	-	102.452	1.218	104.670	
Fishing	-	-	-	-	-	-	71.538	5.669	2.208	-	-	-	-	-	-	-	40.792	38.623	79.415	
Manufacturing	-	-	271.833	-	-	-	42.055.506	4.145.562	2.159.074	27.791	2.743.668	-	-	-	-	-	29.214.659	22.188.575	51.403.234	
Mining and Quarrying	-	-	-	-	-	-	1.546.978	90.293	66.853	59	38.869	-	-	-	-	-	1.039.886	703.166	1.743.052	
Production	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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	-	-	-	-	-	785.100	263.280	1.048.380	
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	10.092.246	
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 BRSB	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	15.030.539	24.494.436		
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	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 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				Over 1 Year
	1 Month	1-3 Months	3-6 Months	6-12 Months	
Exposure Classifications:					
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	-	-	-	-
Grand Total	48.113.427	12.950.235	13.610.860	23.783.086	57.605.884

It is prepared by using the figures after KRA and before Credit Risk Reduction.

Prior Period	Term to Maturity				Over 1 Year
	1 Month	1-3 Months	3-6 Months	6-12 Months	
Exposure Classifications:					
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	-	-	-	-
Grand Total	15.089.802	4.957.086	7.126.463	8.467.614	38.628.663

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 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)	
Agriculture	5.613	17.124	13.850
Farming and Stockbreeding	5.507	12.293	9.627
Forestry	-	4.371	3.763
Fishery	106	460	460
Manufacturing	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
Construction	543.390	711.116	658.706
Services	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
Other	86.576	3.756	19.651
Total	2.607.193	1.875.741	2.034.033

	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)	
Agriculture	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
Manufacturing	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
Construction	871.192	548.207	479.480
Services	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
Other	49.427	5.756	5.491
Total	2.297.608	1.698.976	1.506.681

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
Credit risk sensitivity of balance sheet items	212.356.923	98.515.638
Guarantees and Sureties	45.191.482	29.603.465
Commitments	2.830.404	1.146.602
Credit risk sensitivity of off-balance sheet items	48.021.886	30.750.067
Total credit risk sensitivity	260.378.809	129.265.705

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

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)

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:

Current Period 31.12.2022			
Country	Banking accounts RWA	Trading accounts RWA	Total
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

Prior 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
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 (***)	Total
Current Period				
Assets				
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 (***)	-	-	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 (*)	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
Total assets	34,862,521	46,065,145	7,663,457	88,591,123
Liabilities				
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 (***)	3,124,037	149,636	5,841	3,279,514
Total liabilities	31,644,082	44,780,856	7,469,463	83,894,401
Net balance sheet position	3,218,439	1,284,289	193,994	4,696,722
Net off-balance sheet position (**)	(2,993,145)	(1,964,608)	-	(4,957,753)
Financial derivative assets	-	2,934,895	-	2,934,895
Financial derivative liabilities	2,993,145	4,899,503	-	7,892,648
Non cash loans	10,299,536	12,324,700	997,528	23,621,764
Prior Period				
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
Net balance sheet position	841,980	(1,208,070)	(45,406)	(411,496)
Net off-balance sheet position (**)	(858,141)	1,188,203	158,937	488,999
Financial derivative assets	979	1,374,457	180,259	1,555,695
Financial derivative liabilities	859,120	186,254	21,322	1,066,696
Non-cash loans	10,787,955	9,938,002	606,336	21,332,293

(*) 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 be 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 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.

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)

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.

Current Period	Highest	Date	Lowest	Date
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
HIGH QUALITY LIQUID ASSETS				
High quality liquid assets	-	-	35.399.664	20.894.954
CASH OUTFLOWS				
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
TOTAL CASH OUTFLOW	180.093.642	88.962.571	49.319.064	23.260.195
CASH INFLOWS				
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
TOTAL CASH INFLOWS	30.202.874	16.969.926	22.760.574	14.803.533
Applied maximum rate values				
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	35.399.663	20.894.954
TOTAL NET CASH OUTFLOWS	-	-	26.558.490	8.456.663
LIQUIDITY COVERAGE RATIO (%)	-	-	133	247

(*) 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
HIGH QUALITY LIQUID ASSETS				
High quality liquid assets	-	-	17.594.152	13.543.501
CASH OUTFLOWS				
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
TOTAL CASH OUTFLOW	-	-	18.501.152	10.548.385
CASH INFLOW				
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
TOTAL CASH INFLOWS	8.294.421	5.219.144	6.278.137	4.609.929
			Applied maximum rate values	
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	17.594.152	13.543.501
TOTAL NET CASH OUTFLOWS	-	-	12.223.016	5.938.456
LIQUIDTY COVERAGE RATIO (%)	-	-	144	228

(*) 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
Current Period								
31.12.2022								
Assets								
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 (***)	-	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
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								
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 (***)	-	-	-	-	-	1.341.748	19.341.877	20.683.625
Total Liabilities	38.511.449	87.516.160	49.034.933	12.932.062	1.618.703	1.341.748	21.401.868	212.356.923
Liquidity Gap	(17.378.181)	(58.547.789)	(26.597.697)	38.324.138	63.354.121	18.901.704	(18.056.296)	-
Net Off Balance Sheet Position	-	(40.199)	-	-	-	-	-	(40.199)
Receivables From Derivative Financial Instruments	-	7.852.449	-	-	-	-	-	7.852.449
Financial Derivative Liabilities	-	7.892.648	-	-	-	-	-	7.892.648
Non-Cash Loan	7.551.694	3.602.090	4.642.768	18.453.750	9.017.797	1.923.383	-	45.191.482

(*) 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
Prior Period								
31.12.2021								
Assets								
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 Amortized Cost	-	-	-	-	1.327.957	-	-	1.327.957
Other Assets(**)	-	-	-	-	-	-	1.763.528	1.763.528
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								
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
Total Liabilities	21.605.469	38.425.937	23.135.240	4.320.953	3.254.697	-	7.773.342	98.515.638
Liquidity Gap	(13.547.497)	(27.395.633)	(16.728.122)	11.170.804	40.269.331	11.869.255	(5.638.138)	-
Net Off-Balance Sheet Position	-	(3.836)	(84.902)	8.979	-	-	-	(79.759)
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
Non-Cash Loans	3.768.083	1.938.193	3.436.270	14.190.205	5.433.522	837.192	-	29.603.465

(*) 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
Total	124.384.522	46.348.796	12.867.045	1.618.703	-	185.219.066
Prior Period						
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
Total	58.884.226	20.626.716	3.616.635	598.834	-	83.726.411

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 ^(*) 31.12.2022	Prior Period ^(*) 31.12.2021
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties) (Assets deducted from main capital)	201.004.100 (665.966)	88.461.224 (390.397)
Assets deducted from main capital	200.338.134	88.070.827
Derivative financial instruments and credit derivatives		
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
Security or secured financing transactions		
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
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions (Adjustment amount resulting from multiplying by credit conversion rates)	45.415.562 -	28.932.751 -
Risk amount of the off-balance sheet transactions	45.415.562	28.932.751
Equity and total risk		
Main Capital	13.603.083	4.966.673
Total risk amount	252.541.401	117.596.102
Leverage ratio		
Leverage ratio %	5,39	4,25

(*) Three month average of the amounts in the table are taken into 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 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	Total (1+4+7+8+9+10+11+12+16+19+23+24)	102.160.656	48.141.964	8.172.851

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
Assets					
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	-
Total Assests	212.356.923	209.866.394	14.943.463	88.427.390	440.628
Liabilities					
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)	-
Total Liabilities	212.356.923	-	-	83.776.430	-

(*) 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
Assets					
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
Inangible 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	-
Total Assests	98.515.638	96.476.725	4.801.259	50.466.406	257.830
Liabilities					
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)	-
Total Liabilities	98.515.638	-	2.498.503	52.883.346	-

(*) 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

Current Period 31.12.2022	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	212.356.923	209.866.391	-	14.943.464	88.427.391
Liabilities carrying value amount under regulatory scope of consolidation	7.555.999	-	-	-	-
Total net amount under regulatory scope of consolidation	204.800.924	209.866.391	-	14.943.464	88.427.391
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	-	-	-	-	-
Amount of Risk	267.845.990	256.445.783	-	31.409.139	88.427.391

Prior 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	-
Total net amount under regulatory scope of consolidation	94.730.993	96.476.725	-	2.302.756	50.466.406
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	-	-	-	-	-
Amount of Risk	129.102.760	127.023.645	-	6.127.605	50.466.406

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.

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

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	Total	1.875.741	219.416.445	2.874.584	218.417.602

(*) 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	Total	1.698.976	109.020.383	1.885.695	108.833.664

(*) 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 ^(*)	(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 ^(*)	(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.

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)

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	-	-
Total	2.607.193	1.875.741	2.717.036

	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	-	-	-
Total	2.297.608	1.698.976	1.734.896

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
Total	145.699.563	1.875.741	2.717.036	142.940.396

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
Total	66.435.840	1.698.976	1.734.896	66.399.920

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	1 month	1-2 month	2-3 month	3+ month	Total
Loans and Receivables ⁽¹⁾					
Corporate / Entrepreneurial Loans	165.929	19.596	488.005	140.860	814.390
Personal Credit	79.287	16.686	3.208	238	99.419
Total	245.216	36.282	491.213	141.098	913.809

(*) 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 ⁽¹⁾					
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
Total	180.209	149.149	37.831	180.564	547.753

(*) 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 (*)	121.871.510	10.188.687	5.123.813	1.920.658	1.285.374	-	-
Debt Securities (*)	24.356.878	-	-	-	-	-	-
Total	146.228.388	10.188.687	5.123.813	1.920.658	1.285.374	-	-
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 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 85.229 Thousand TRY in the "Defaulted" category

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	-	-	-	-	-	-
Total	62.640.848	4.780.715	3.720.274	3.009.663	2.536.877	-	-
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..

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) 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
Risk Classes							
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	Total	132.420.290	40.971.780	131.459.006	24.604.486	97.500.193	62%

	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
Risk simfları							
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	Total	59.850.804	24.237.018	59.332.464	14.937.164	44.767.571	60%

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) 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
Total	46.430.249	-	10.906.145	5.378.280	5.445.517	11.730.807	70.278.135	324.150	5.566.567	3.642	156.063.492

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
Total	20.691.214	-	3.588.679	3.438.597	3.964.020	7.046.629	35.462.773	77.717	-	-	74.269.629

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)

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	Total						62.821

(*) 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	Total						22.144

(*) 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	Total subject to the CVA capital charge	81.448	45.438

	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	Total subject to the CVA capital charge	43.484	20.100

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^(*)
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	-	-	-	-	-	-	-	-	-
Total ^(*)	14.903.739	-	54.849	-	-	51.851	-	-	62.821

(*) 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	-	-	-	-	-	-	-	-	-
Total (*)	2.982.159	-	23.397	13.631	-	10.153	330	-	22.144

(*) 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
Total	-	-	-	-	-	14.928.992

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
Total	-	-	-	-	2.498.503	2.986.187

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 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	Exposure to Qualified Central Counterparties (QCCPs)	377	8
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	Exposures to non-QCCPs (total)	-	-
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.

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)

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
Outright products		
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
Options		
5 Simplified approach	-	-
6 Delta-plus method	-	-
7 Scenario approach	-	-
8 Securitisation	-	-
9 Total	918.455	343.323

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.

Current Period 31.12.2022	31.12.2019	31.12.2020	31.12.2021	Total/Number of Positive GI years	Ratio (%)	Total
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

Prior Period 31.12.2021	31.12.2018	31.12.2019	31.12.2020	Total/Number of Positive GI years	Ratio (%)	Total
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

	31.12.2013	31.12.2014	31.12.2015	Number of Total/Positi ve ROI years	Ratio (%)	Total
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
OPERATING INCOME/EXPENSE					
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
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	2.133.604	-	2.133.604
Banks ^(*)	-	-	13.251.320	-	13.251.320
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	18.823.730	-	18.823.730
Loans ^{(*)(**)}	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 ^(*)	-	-	-	27.951.587	27.951.587
Total Segment Assets	9.316.981	135.071.172	40.017.183	27.951.587	212.356.923
SEGMENT LIABILITIES					
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
Total Segment Liabilities	72.592.476	100.546.622	16.537.207	22.680.618	212.356.923

(*) 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
OPERATING INCOME/EXPENSE					
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
SEGMENT ASSETS					
Financial Assets at FV Through P/L Banks ^(*)	-	-	1.795.316	-	1.795.316
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	3.350.140	-	3.350.140
Loans ^(**)	5.402.018	60.821.448	8.589.570	-	66.399.920
Financial Assets Measured at Amortised Cost	-	-	176.454	-	176.454
Derivative Financial Assets	-	-	1.327.957	-	1.327.957
Partnership Investment	-	-	19.756	-	19.756
Other Assets ^(*)	-	-	-	17.032.979	17.032.979
Total Segment Assets	5.402.018	60.821.448	15.259.193	17.032.979	98.515.638
SEGMENT LIABILITIES					
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
Total Segment Liabilities	41.898.392	36.035.405	10.224.328	10.357.513	98.515.638

(*) 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:

Current Period 31.12.2022	Book Value	Fair Value
Financial Assets	185.960.864	183.201.517
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
Financial Liabilities	185.194.264	185.103.964
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

Prior Period 31.12.2021	Book Value	Fair Value
Financial Assets	81.402.484	79.469.675
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
Financial Liabilities	85.530.423	85.491.080
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
Financial Assets at Fair Value Through Profit or (Loss)	-	2.133.604	-	2.133.604
Government Debt Securities	-	2.133.604	-	2.133.604
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	15.144.771	3.626.618	52.341	18.823.730
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
Derivative Financial Assets	-	14.471	-	14.471
Total Assets	15.144.771	5.774.693	52.341	20.971.805
Derivative Financial Liabilities	-	62.998	-	62.998
Total Liabilities	-	62.998	-	62.998

Prior Period 31.12.2021	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit or (Loss)	-	1.795.316	-	1.795.316
Government Debt Securities	-	1.795.316	-	1.795.316
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	8.579.158	-	10.412	8.589.570
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	7.920.917	-	-	7.920.917
Other Marketable Securities	658.241	-	-	658.241
Derivative Financial Assets	-	19.756	-	19.756
Total Assets	8.579.158	1.815.072	10.412	10.404.642
Derivative Financial Liabilities	-	71.692	-	71.692
Total Liabilities	-	71.692	-	71.692

**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 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
Total	6.310.803	18.663.442	3.066.213	12.224.478

(*) 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	-	-	-	-
Total	6.189.305	17.634.063	3.011.049	11.477.192

(*) “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	-	-	-	-
Total	134.657	13.116.663	9.647	3.340.493

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	-	-
Total	2.781.980	1.589.785	-	-

(*) 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 (-)	-	-
Total	2.133.604	1.795.316

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
Total (*)	11.517.222	2.953.147

(*) 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	-	-
Not Quoted in Stock Exchange (*)	52.341	10.412
Provision for Impairment (-)**	134.294	121.629
Total	18.823.730	8.589.570

(*) 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	-	-
Total	14.329	142	12.764	6.992

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	-
Total (*)	103.547	-	13.743	-

(*) 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	Refinancing
Cash Loans			Loans with revised contract terms	
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
Total	122.077.886	1.222.851	389.136	774.366

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
Total	54.851.437	778.197	146.446	1.113.496

(*) 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	-	-	-	-
Total	619.977	1.095.445	294.941	1.217.351

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
Total	619.977	1.095.445	294.941	1.217.351

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
Medium and Long-term Loans	53.998.563	326.923	79.367
Total	118.299.799	1.177.498	382.172

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	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
Total	53.768.738	726.044	1.217.351

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
Consumer Loans - TRY	29.231	8.971.697	9.000.928
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	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TRY	101.677	42	101.719
With Installment	25.743	14	25.757
Without Installment	75.934	28	75.962
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TRY	3.798	94.049	97.847
Housing Loans	-	14.546	14.546
Vehicle Loans	-	3.128	3.128
Consumer Loans	3.798	76.375	80.173
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	2.131	7	2.138
With Installment	701	-	701
Without Installment	1.430	7	1.437
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	136.837	9.065.795	9.202.632

(*) 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
Consumer Loans - TRY	12.812	5.275.390	5.288.202
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	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TRY	25.620	44	25.664
With Installment	7.247	35	7.282
Without Installment	18.373	9	18.382
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TRY	157	9.968	10.125
Housing Loans	-	2.698	2.698
Vehicle Loans	-	128	128
Consumer Loans	157	7.142	7.299
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	1.901	7	1.908
With Installment	353	1	354
Without Installment	1.548	6	1.554
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	40.490	5.285.409	5.325.899

(*) 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
Installment Commercial Loans-TRY	1.262.469	1.102.386	2.364.855
Business Loans	1.831	36.212	38.043
Vehicle Loans	1.260.638	1.066.174	2.326.812
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	1.132	59.218	60.350
With Installment	-	-	-
Without Installment	1.132	59.218	60.350
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TRY	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1.263.601	1.161.604	2.425.205

Prior Period 31.12.2021	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TRY	122.846	829.455	952.301
Business Loans	-	35.282	35.282
Vehicle Loans	122.846	794.173	917.019
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	20	20
Business Loans	-	-	-
Vehicle Loans	-	20	20
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	44.336	44.336
With Installment	-	-	-
Without Installment	-	44.336	44.336
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TRY	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Toplam	122.846	873.811	996.657

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 Rediscunts	3.891.497	1.177.443
Total *	124.464.239	56.889.576

(*) 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 Rediscunts	3.891.497	1.177.443
Total (*)	124.464.239	56.889.576

(*) 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
Total	1.595.446	1.337.712

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
Total	24.841.385	21.235.324	10.987.847	9.546.264

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	-	-
Total	21.235.324	9.546.264

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
Current Period 31.12.2022			
Ending balance of prior period	41.467	391.196	1.266.313
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 (-) ^(*)	-	-	19.016
Corporate and commercial loans	-	-	19.016
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	23.334	178.305	1.674.102
Expected Loss Provision (Stage 3) (-)	6.432	94.372	1.494.642
Net balance on balance sheet	16.902	83.933	179.460

(*) 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
Prior Period 31.12.2021			
Ending balance of prior period	155.555	195.532	324.195
Additions in the current period (+)	454.803	230.798	240.742
Transfers from other categories of non-performing loans (+)	-	392.746	503.145
Transfers to other categories of non-performing loans (-)	392.746	503.145	-
Collections in the current period (-)	14.165	143.531	161.825
Write offs (-) ^(*)	-	-	101.046
Corporate and commercial loans	-	-	101.046
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	203.447	172.400	805.211
Expected Loss Provision (Stage 3) (-)	83.330	89.754	615.759
Net balance on balance sheet	120.117	82.646	189.452

(*) 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	IV. Grup	V. Grup
	Allocated for Loans with Limited Collection	Allocated for Doubtful Loans	Allocated for Loss Loans
Current Period			
31.12.2022			
Ending Balance	-	-	316.515
Provision for Expected Loss (Stage 3) (-)	-	-	302.296
Net Balance in the Balance Sheet	-	-	14.219

	III. Grup	IV. Grup	V. Grup
	Allocated for Loans with Limited Collection	Allocated for Doubtful Loans	Allocated for Loss Loans
Prior Period			
31.12.2021			
Ending Balance	-	14.502	415.568
Provision for Expected Loss (Stage 3) (-)	-	8.142	358.580
Net Balance in the Balance Sheet	-	6.360	56.988

k) Gross and net amounts of non-performing receivables according to user groups

	III. Grup:	IV. Grup:	V. Grup:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period (Net)	16.902	83.933	179.460
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)	-	-	-
Prior Period (Net)	25.227	139.136	196.901
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:	IV. Grup:	V. Grup:
	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Current Period (Net)	1.108	8.692	26.287
Profit Share Accrual and Valuation Differences			
Provision	1.592	18.930	234.022
Provision Amount (-)	484	10.238	207.735
Prior Period (Net)	1.187	10.960	32.372
Profit Share Accrual and Valuation Differences			
Provision	2.009	26.474	192.499
Provision Amount (-)	822	15.514	160.127

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)

Provision changes according to TFRS 9

	Current Period 31.12.2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at the Beginning of the Period	228.215	168.969	1.337.712	1.734.896
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	-
Balance at the Closing of the Period	683.003	438.587	1.595.446	2.717.036

	Prior Period 31.12.2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at the Beginning of the Period	128.318	236.065	788.843	1.153.226
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	-
Balance at the Closing of the Period	228.215	168.969	1.337.712	1.734.896

Cash loan changes according to TFRS 9

	Current Period 31.12.2022			Total
	Stage 1	Stage 2	Stage 3	
Balance at the Beginning of the Period	64.138.232	2.297.608	1.698.976	68.134.816
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	-
Balance at the Closing of the Period	143.092.370	2.607.193	1.875.741	147.575.304

(*) Includes TRY 21.014.484 in the first stage and TRY 220.840 in the second stage.

	Prior Period 31.12.2021			Total
	Stage 1	Stage 2	Stage 3	
Balance at the Beginning of the Period	40.426.874	1.751.704	1.181.058	43.359.636
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	-
Balance at the Closing of the Period	64.138.232	2.297.608	1.698.976	68.134.816

(*) 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 (-)	-	-
Total	5.323.943	1.327.957

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	5.323.943	1.327.957

(*) 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
Beginning Balance (Net)	307.881	75.240
Changes During the Period (Net)	(33.237)	232.641
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net) (*)	274.644	307.881

(*) 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.	Istanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	Istanbul / 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 ^(*)	5.381.310	398	-	851.603	-	55	176	-	-
2 ^(*)	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
Prior Period End:							
Cost	-	222.021	145.213	34.930	72.612	-	474.776
Accumulated Depreciation (-)	-	69.971	53.111	11.154	38.621	-	172.857
Net Book Value	-	152.050	92.102	23.776	33.991	-	301.919
Current Period End:							
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	-	-	-	-	-	-	-
Closing Net Book Value	-	278.044	191.526	27.198	98.174	-	594.942

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 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
Total	426.161	83.707	342.454	280.415	56.576	223.839

- 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
Net Deferred Tax Asset	788.020	301.329

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	-	-	-	-	-	-	-	-	-
Total I+II+...+IX+X+XI	38.511.449	29.183.634	78.471.553	16.489.558	2.285.373	315.337	7.882.194	-	173.139.09

(*) 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	-	-	-	-	-	-	-	-	-
Total I+II+...+IX+X+XI	21.605.469	4.646.163	38.942.388	1.475.989	524.275	563.948	10.175.565	-	77.933.797

(*) 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	-	-	-	-
Total	191.652	2.584.274	256.894	908.426
Borrowings from the CBRT	341.719	4.182.250	319.918	1.688.051

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
Total	341.719	4.182.250	319.918	1.688.051

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
Total	341.719	4.182.250	319.918	1.688.051

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
Domestic	57.003	7.498.996	3.784.645	-
Financial Institutions	57.003	7.498.996	3.784.645	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	57.003	7.498.996	3.784.645	-

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	-	-	-	-
Total	4.394.241	-	4.360.022	-

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

None (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)

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	-	-	-	-
Total	-	62.998	70.653	1.039

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
Total	596.020	335.946	328.813	194.463

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
Balance at the end of the period	125.764	26.259

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
Total	1.484.904	349.924

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	-	-
Total	2.310	517

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	-	-	-	-
Total	1.341.748	2.597.654	1.341.500	1.314.363

	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	-	-	-	-
Total	1.341.748	2.597.654	1.341.500	1.314.363

(*) 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	-	-	-	-
Total	2.540.848	(117.971)	43.265	(24.008)

- 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:

Profit for the year 2021	558.689
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

	Current Period 31.12.2022	Prior Period 31.12.2021
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
Total	2.830.404	1.700.466

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

	Current Period 31.12.2022	Prior Period 31.12.2021
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
Total	45.191.482	29.603.465

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

	Current Period 31.12.2022	Prior Period 31.12.2021
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
Total	37.944.687	22.059.849

b.3) Total non-cash loans

	Current Period 31.12.2022	Prior Period 31.12.2021
Non-Cash Loans for Providing Cash Loans	10.548.853	8.142.586
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
Other Non-Cash Loans	34.642.629	21.460.879
Total	45.191.482	29.603.465

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
Total	21.569.718	100	23.621.764	100	8.271.172	100	21.332.293	100

d) Information on non-cash loans classified in groups I and II:

	Group I		Group II	
	TRY	FC	TRY	FC
Non-cash Loans	21.177.208	23.309.744	392.510	312.020
Letters of Guarantee	21.065.507	16.448.068	145.807	285.305
Aval and Acceptance Loans	-	74.133	-	-
Letters of credit Turnover	846	5.623.378	-	26.715
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
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions: (I)	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	-	-
Other Trading Derivative Transactions: (II)	-	-
A. Total Trading Derivative Transactions (I+II)	15.745.097	3.270.985
Types of Hedging Derivative Transactions		
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Derivative Transactions for Total Hedging Purposes	-	-
Total Derivative Transactions (A + B)	15.745.097	3.270.985

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
Derivatives held for trading						
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)
Derivatives held for hedging						
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	4.917.554	2.934.895	-	-	-	7.852.449
Total Outflow	(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
Derivatives held for trading						
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)
Derivatives held for hedging						
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
Total Inflow	298.367	744.421	552.825	-	-	1.595.613
Total Outflow	(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

(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)

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
Profit share on loans (*)	11.844.448	2.008.285	3.912.737	804.787
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	-	-	-	-
Total	123.554	53.851	-	3.070

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
Total	4.467.866	380.603	625.365	175.968

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

(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)

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
Total	297.399	242.527	776.397	129.847

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
	1 Month	3 Months	6 Months	1 Year	Over 1 Year		
Account Name							
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
Total	1.618.231	5.942.270	1.184.959	293.211	407.155	-	9.445.826
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
Total	100.235	740.114	238.916	9.561	69.850	-	1.158.676
Grand Total	1.718.466	6.682.384	1.423.874	302.772	477.005	-	10.604.501

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					
	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
Total	355.966	2.355.186	95.555	69.810	50.400	2.926.917
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
Total	7.988	145.871	6.365	8.723	138.292	307.239
Grand Total	363.954	2.501.057	101.920	78.533	188.692	3.234.156

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
Income	4.931.258	8.833.644
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
Losses (-)	3.716.567	8.618.831
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
Net	1.214.691	214.813

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)
Total	144.979	(65.861)

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
Total	876.254	551.636

(*) 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
Total	2.931.630	988.603

(*) 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
Total	886.388	392.167

(*) 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	-	-
Total(*)	2.080	771

(*) 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
Income/(Loss) from Continuing Operations	5.463.766	730.171

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)

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 TRY2.911.395 (31 December 2021: TRY 373.740) is from current tax expense, TRY 1.287.901 (31 December 2021: TRY202.259 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	-	-
Total Cash and Cash Equivalents	21.154.391	8.059.458

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	-	-	1.646	-	-	-
Balance at end of period	-	-	2.374	-	-	-
Profit share and commission income	-	-	-	-	-	-

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
Loans and other receivables						
Balance at beginning of period	-	-	540	-	-	-
Balance at end of period	-	-	1.646	-	-	-
Profit share and commission income	-	-	-	-	-	-

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	-	-
Balance at the end of period	-	-	-	-	-	-
Participation Accounts 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
Credits Received						
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	-	-
Dividend Expenses Paid	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	-	-
Total Profit/Loss	-	-	-	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total 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 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”))

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE GROUP’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 19 November 2022	Not
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.

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”))

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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