

**ZİRAAT KATILIM BANKASI  
ANONİM ŞİRKETİ**

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL  
STATEMENTS AND RELATED DISCLOSURES  
AT 31 DECEMBER 2020 WITH  
AUDITOR’S REPORT**

***(CONVENIENCE TRANSLATION OF CONSOLIDATED  
FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND  
FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE. I.B OF  
SECTION THREE)***

**CONVENIENCE TRANSLATION INTO ENGLISH OF  
INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH  
(See Note I of Section Three)  
INDEPENDENT AUDITOR’S REPORT**

**To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi:**

**A. Audit of the consolidated Financial Statements**

**1. Opinion**

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

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

## **2. Basis for Qualified Opinion**

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

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

## **3. Key Audit Matters**

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

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

<b><i>Key Audit Matters</i></b>	<b><i>How the key audit matter was addressed in the audit</i></b>
<p>The Group uses complex models derived from more than one system to calculate the expected loan loss provision and detecting a significant increase in credit risk. Information including past events, current conditions and macroeconomic estimates which are taken into account in expected loss provision accounting should be reasonable and supportable.</p> <p>Our audit was focused on this area due to existence of complex estimates and information used in the impairment assessment such as macro-economic expectations, current conditions, historical loss experiences; the significance of the loan balances; the classification of loans as per their credit risk (staging) and the importance of determination of the associated expected credit loss. Timely and correct identification of default event and significant increase in credit risk and level of judgements and estimations made by the management have significant impacts on the amount of impairment provisions for loans. Therefore, this area is considered as key audit matter.</p>	<p>Together with our financial risk experts, we evaluated and tested reasonableness of the changes in the expected credit loss allowance methodology made within the year and the performance of the impairment models used.</p> <p>We have checked selected models used in determination of provisions for various credit portfolios with our financial risk experts by reperforming on a sample selection basis.</p> <p>We checked key data sources for data used in expected credit losses calculations. We tested reliability and completeness of the data used in expected credit losses calculations with our information systems specialists.</p> <p>For a selected sample, we checked accuracy of resultant expected credit losses calculations.</p> <p>To assess appropriateness of the Group's determination of staging for credit risk within the framework of current regulations, identification of impairment and timely and appropriate provisioning for impairment we have performed loan review procedures based on a selected sample.</p> <p>We evaluated the adequacy of the disclosures made in the consolidated financial statements regarding the provision for impairment of loans.</p>

#### **4. Other Matters**

The consolidated financial statements of the Group for the year ended 31 December 2019 was audited by another auditor who expressed a qualified opinion based on the reason represented in the section “Basis for the Qualified Conclusion” above thereon on 25 February 2020.

#### **5. Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

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

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

#### **6. Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

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

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

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

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

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

## **B. Other Responsibilities Arising From Regulatory Requirements**

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

## **Additional Paragraph for Convenience Translation**

The effects of differences between accounting principles and standards explained in detail in Section Three and accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying consolidated financial statements. Accordingly, the accompanying consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM  
Partner

Istanbul, 19 February 2021





**CONVENIENCE TRANSLATION OF PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL STATEMENTS AND AUDITED REPORT ORIGINALLY ISSUED IN TURKISH, SEE THE NOTE I. OF SECTION THREE**

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

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
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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
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE BANK
- EXPLANATIONS AND DISCLOSURES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS
- AUDITOR'S REPORT

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

	Subsidiaries	Investments in Associates	Joint Ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2	ZKB Varlık Kiralama A.Ş.	-	-

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

Hüseyin AYDIN  
Chairman of the Board

Metin OZDEMİR  
Member of the Board,  
General Manager

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

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

Osman KARAKÜTÜK  
Vice President of Treasury  
Management and  
International Banking

Gürkan ÇAKIR  
Head of Financial  
Management Department

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

Name-Surname/Position : Mesut Küçük / Financial Reporting Manager

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**SECTION ONE**  
**General Information about the Group**

	<b>Page Number</b>
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 or indirectly, changes in these matters throughout the year (if any) and the group of the Parent Bank	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 Communiqué 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)	4-5
II. Consolidated statement of off-balance sheet commitments	6
III. Consolidated statement of profit or loss	7
IV. Consolidated statement of profit or loss and other comprehensive income	8
V. Statement of changes in shareholders' equity	9
VI. Consolidated statement of cash flows	10
VII. Consolidated statement of profit distribution	11

**SECTION THREE**  
**Explanations on Accounting Policies**

I. Explanations on basis of presentation	12
II. Explanations on strategy of using financial instruments and foreign currency transactions	13
III. Explanations on consolidated subsidiaries	13-15
IV. Explanations on forward and option contracts and derivative instruments	16
V. Explanations on profit share income and expense	16
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	22
X. Explanations on sales and repurchase agreements and lending of securities	22
XI. Explanations on assets held for sale and discontinued operations and related liabilities	22
XII. Explanations on goodwill and other intangible assets	23
XIII. Explanations on tangible assets	23
XIV. Explanations on leasing transactions	24
XV. Explanations on provisions, contingent asset and liabilities	25
XVI. Explanations on obligations related to employee rights	25-27
XVII. Explanations on taxation	28-29
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. Explanations on cash and cash equivalents	30
XXIII. Explanations on segment reporting	30
XXIV. Explanations on other matters	30

**SECTION FOUR**  
**Explanations on the Financial Position and Risk Management**

I. Explanations on shareholders' equity	31-36
II. Explanation on the credit risk	36-45
III. Risks included in the cyclical capital buffer calculation	46
IV. Explanations on the consolidated currency risk	47-48
V. Equity share position risk on banking accounts	49
VI. Explanations related to consolidated liquidity risk management and liquidity coverage ratio	49-55
VII. Explanations on consolidated leverage ratio	55
VIII. Explanations on securitization positions	56
IX. Explanations on risk management	56-69
X. Explanations on risk protection procedures	70
XI. Explanations on counterparty credit risk	70-76
XII. Explanations on consolidated operating segments	76-77
XIII. Explanation on the fair value realization of financial assets and liabilities	78-79

**SECTION FIVE**  
**Explanations and Notes Related to Consolidated Financial Statements**

I. Explanations and notes related to consolidated assets	80-96
II. Explanations and notes related to consolidated liabilities	97-105
III. Explanations and notes related to consolidated off-balance sheet accounts	106-109
IV. Explanations and notes related to the statement of consolidated profit or loss	109-114
V. Explanations and notes related to the changes in shareholders' equity	114-115
VI. Explanations and notes related to the statement of consolidated cash flow	115
VII. Explanations and notes related to the risk group of the Parent Bank	116-117
VIII. Significant events and matters arising subsequent to consolidated balance sheet date	117
IX. Explanations and notes related to domestic, foreign, off-shore branches or affiliates and foreign representatives of the Parent Bank	117

**SECTION SIX**  
**Other Explanations and Notes**

I. Information on the Parent Bank's rating that has been determined by international rating agencies	118
II. Other explanations on the Group's operations	118

**SECTION SEVEN**  
**Explanations on Independent Audit Report**

I. Explanations on independent audit	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 2020

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

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### SECTION ONE GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bankası A.Ş. ("Group") is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TL675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 4 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL500.000 and by increasing the amount of internal resources by TL3.000 to TL1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on September 20, 2018, the paid-in capital of the Bank has been raised to TL1.750.000 by increasing the amount of cash by TL500.000.

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

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

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

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

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

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

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

(\*) He was appointed as a Board Membership as of 19 June 2020.

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

Parent Bank Directors have no Bank's share capital.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
<b>Name/Trade Name</b>				
T.C. Ziraat Bankası A.Ş. (*)	1.750.000	99,9999996	1.750.000	-
<b>Total</b>	<b>1.750.000</b>	<b>100,00</b>	<b>1.750.000</b>	<b>-</b>

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

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

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

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

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

#### VI. DIFFERENCES BETWEEN THE COMMUNIQUE ON PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS OF BANKS AND TURKISH ACCOUNTING STANDARDS AND SHORT EXPLANATION ABOUT THE ENTITIES SUBJECT TO FULL CONSOLIDATION OR PROPORTIONAL CONSOLIDATION AND ENTITIES WHICH ARE DEDUCTED FROM EQUITY OR ENTITIES WHICH ARE NOT INCLUDED IN THESE THREE METHODS

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat Katılım Varlık Kiralama A.Ş. which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation.

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

None.

## **SECTION TWO**

### **CONSOLIDATED FINANCIAL STATEMENTS**

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

# ZİRAAT KATILIM BANKASI A.Ş.

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

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Notes (V-I)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
<b>I. FINANCIAL ASSETS (Net)</b>		<b>5.195.516</b>	<b>11.233.289</b>	<b>16.428.805</b>	<b>2.190.417</b>	<b>4.024.699</b>	<b>6.215.116</b>
<b>1.1 Cash And Cash Equivalents</b>		<b>419.033</b>	<b>9.854.915</b>	<b>10.273.948</b>	<b>105.170</b>	<b>3.705.513</b>	<b>3.810.683</b>
1.1.1 Cash And Balances With Central Bank	(1)	409.579	5.067.541	5.477.120	100.139	2.794.300	2.894.439
1.1.2 Banks	(2)	12.394	4.787.374	4.799.768	5.205	911.213	916.418
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		2.940	-	2.940	174	-	174
<b>1.2 Financial Assets Measured At Fair Value Through Profit/Loss</b>	<b>(4)</b>	<b>980.872</b>	<b>-</b>	<b>980.872</b>	<b>-</b>	<b>-</b>	<b>-</b>
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		980.872	-	980.872	-	-	-
<b>Financial Assets Measured at Fair Value Through Other Comprehensive Income</b>	<b>(3)</b>	<b>3.767.367</b>	<b>1.378.365</b>	<b>5.145.732</b>	<b>2.085.220</b>	<b>301.717</b>	<b>2.386.937</b>
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		10.412	-	10.412	7.672	-	7.672
1.3.3 Other Financial Assets		3.756.955	1.378.365	5.135.320	2.077.548	301.717	2.379.265
<b>1.4 Derivative Financial Assets</b>	<b>(5)</b>	<b>28.244</b>	<b>9</b>	<b>28.253</b>	<b>27</b>	<b>17.469</b>	<b>17.496</b>
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		28.244	9	28.253	27	17.469	17.496
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
<b>II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)</b>		<b>29.455.349</b>	<b>13.530.498</b>	<b>42.985.847</b>	<b>18.004.119</b>	<b>11.534.815</b>	<b>29.538.934</b>
<b>2.1 Loans</b>	<b>(6)</b>	<b>27.553.401</b>	<b>10.670.016</b>	<b>38.223.417</b>	<b>17.045.982</b>	<b>8.862.682</b>	<b>25.908.664</b>
<b>2.2 Lease Receivables</b>	<b>(6)</b>	<b>2.851.377</b>	<b>2.284.842</b>	<b>5.136.219</b>	<b>1.531.983</b>	<b>2.124.383</b>	<b>3.656.366</b>
<b>2.3 Measured at Amortized Cost</b>	<b>(7)</b>	<b>-</b>	<b>779.437</b>	<b>779.437</b>	<b>-</b>	<b>547.750</b>	<b>547.750</b>
2.3.1 Government Securities		-	779.437	779.437	-	547.750	547.750
2.3.2 Other Financial Assets		-	-	-	-	-	-
<b>2.4 Expected Credit Losses (-)</b>		<b>949.429</b>	<b>203.797</b>	<b>1.153.226</b>	<b>573.846</b>	<b>-</b>	<b>573.846</b>
<b>ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)</b>	<b>(8)</b>	<b>75.240</b>	<b>-</b>	<b>75.240</b>	<b>104.069</b>	<b>-</b>	<b>104.069</b>
3.1 Assets Held for Sale		75.240	-	75.240	104.069	-	104.069
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
<b>INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>4.1 Associates (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
<b>4.2 Subsidiaries (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
<b>4.3 Joint Ventures (Net)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
<b>V. TANGIBLE ASSETS (NET)</b>	<b>(10)</b>	<b>177.601</b>	<b>363</b>	<b>177.964</b>	<b>157.597</b>	<b>-</b>	<b>157.597</b>
<b>VI. INTANGIBLE ASSETS (Net)</b>	<b>(11)</b>	<b>161.257</b>	<b>-</b>	<b>161.257</b>	<b>120.641</b>	<b>-</b>	<b>120.641</b>
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		161.257	-	161.257	120.641	-	120.641
<b>VII. INVESTMENT PROPERTY (NET)</b>	<b>(12)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VIII. CURRENT TAX ASSET</b>	<b>(13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>IX. DEFERRED TAX ASSETS</b>	<b>(14)</b>	<b>108.597</b>	<b>-</b>	<b>108.597</b>	<b>42.153</b>	<b>-</b>	<b>42.153</b>
<b>X. OTHER ASSETS</b>	<b>(15)</b>	<b>213.728</b>	<b>35.458</b>	<b>249.186</b>	<b>148.037</b>	<b>65.527</b>	<b>213.564</b>
<b>TOTAL ASSETS</b>		<b>35.387.288</b>	<b>24.799.608</b>	<b>60.186.896</b>	<b>20.767.033</b>	<b>15.625.041</b>	<b>36.392.074</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

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

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION )								
LIABILITIES		Notes (V-II)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
			TL	FC	Total	TL	FC	Total
I.	FUNDS COLLECTED	(1)	24.902.462	21.483.588	46.386.050	13.032.105	12.425.040	25.457.145
II.	FUNDS BORROWED	(2)	380.086	1.046.528	1.426.614	374.535	3.121.136	3.495.671
III.	MONEY MARKETS DEBTS	(3)	2.101.073	-	2.101.073	19.135	-	19.135
IV.	SECURITIES ISSUED (Net)	(4)	4.017.250	-	4.017.250	2.482.999	-	2.482.999
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS								
V.	OR LOSS	(5)	-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(6)	-	19.440	19.440	19	12.460	12.479
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	19.440	19.440	19	12.460	12.479
Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income								
6.2			-	-	-	-	-	-
VII.	LEASE PAYABLES	(7)	111.946	15.688	127.634	97.792	12.267	110.059
VIII.	PROVISIONS	(8)	211.628	197.616	409.244	189.634	45.645	235.279
8.1	Restructuring Provisions		-	-	-	-	-	-
8.2	Reserve for Employee Benefits		56.070	-	56.070	35.712	-	35.712
8.3	Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4	Other Provisions		155.558	197.616	353.174	153.922	45.645	199.567
IX.	CURRENT TAX LIABILITY	(9)	96.490	142	96.632	122.428	-	122.428
X.	DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)								
XI.		(11)	-	-	-	-	-	-
11.1	Held for Sale Purpose		-	-	-	-	-	-
11.2	Related to Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(12)	312.489	768.037	1.080.526	312.351	537.338	849.689
12.1	Loans		312.489	768.037	1.080.526	312.351	537.338	849.689
12.2	Other Debt Instruments		-	-	-	-	-	-
XIII.	OTHER LIABILITIES	(13)	571.531	216.629	788.160	363.557	76.805	440.362
XIV.	SHAREHOLDERS' EQUITY	(14)	3.734.357	(84)	3.734.273	3.166.186	642	3.166.828
14.1	Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000
14.2	Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1	Share Premium		-	-	-	-	-	-
14.2.2	Share Cancellation Profits		-	-	-	-	-	-
14.2.3	Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3	Accumulated Other Comprehensive Income or Loss That will not be Reclaasified in Profit or Loss		(7.068)	-	(7.068)	(2.365)	-	(2.365)
Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss								
14.4			(9.259)	(84)	(9.343)	56.429	642	57.071
14.5	Profit Reserves		1.098.041	-	1.098.041	555.646	-	555.646
14.5.1	Legal Reserves		60.388	-	60.388	35.234	-	35.234
14.5.2	Status Reserves		-	-	-	-	-	-
14.5.3	Extraordinary Reserves		991.586	-	991.586	488.002	-	488.002
14.5.4	Other Profit Reserves		46.067	-	46.067	32.410	-	32.410
14.6	Profit or (Loss)		641.130	-	641.130	544.963	-	544.963
14.6.1	Prior Period Profit/Loss		2.568	-	2.568	28.228	-	28.228
14.6.2	Current Period Profit/Loss		638.562	-	638.562	516.735	-	516.735
TOTAL LIABILITIES			36.439.312	23.747.584	60.186.896	20.160.741	16.231.333	36.392.074

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



# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 DECEMBER 2020

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Notes (V-III)	Current Period (31/12/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
<b>A OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>	<b>(1)</b>	<b>9.924.766</b>	<b>13.934.400</b>	<b>23.859.166</b>	<b>5.266.395</b>	<b>9.101.213</b>	<b>14.367.608</b>
<b>I. GUARANTEES AND WARRANTIES</b>		<b>6.839.282</b>	<b>9.076.488</b>	<b>15.915.770</b>	<b>4.926.966</b>	<b>6.401.171</b>	<b>11.328.137</b>
1.1 Letters of Guarantee		6.691.971	5.882.397	12.574.368	4.892.685	4.488.870	9.381.555
1.1.1 Guarantees Subject to State Tender Law		190.927	1.696.645	1.887.572	119.125	1.304.053	1.423.178
1.1.2 Guarantees Given for Foreign Trade Operations		6.156.513	-	6.156.513	4.559.726	-	4.559.726
1.1.3 Other Letters of Guarantee		344.531	4.185.752	4.530.283	213.834	3.184.817	3.398.651
1.2 Bank Acceptances		-	7.687	7.687	-	18.753	18.753
1.2.1 Import Letter of Acceptance		-	7.687	7.687	-	18.753	18.753
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		40.077	1.340.566	1.380.643	29.071	954.074	983.145
1.3.1 Documentary Letters of Credit		40.077	1.340.566	1.380.643	29.071	954.074	983.145
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		98.155	1.841.367	1.939.522	-	939.474	939.474
1.7 Other Collaterals		9.079	4.471	13.550	5.210	-	5.210
<b>II. COMMITMENTS</b>	<b>(1)</b>	<b>564.143</b>	<b>97.454</b>	<b>661.597</b>	<b>334.484</b>	<b>65.749</b>	<b>400.233</b>
2.1 Irrevocable Commitments		564.143	97.454	661.597	334.484	65.749	400.233
2.1.1 Forward asset purchase commitments		57.678	97.454	155.132	42.995	65.749	108.744
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks	(4)	268.625	-	268.625	157.323	-	157.323
2.1.7 Tax and Fund Liabilities from Export Commitments		16.428	-	16.428	11.509	-	11.509
2.1.8 Commitments for Credit Card Limits		48.071	-	48.071	-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		1	-	1	-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		173.340	-	173.340	122.657	-	122.657
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
<b>III. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>(2)</b>	<b>2.521.341</b>	<b>4.760.458</b>	<b>7.281.799</b>	<b>4.945</b>	<b>2.634.293</b>	<b>2.639.238</b>
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		2.521.341	4.760.458	7.281.799	4.945	2.634.293	2.639.238
3.2.1 Forward Buy/Sell Transactions		15.631	2.168.006	2.183.637	4.945	2.634.293	2.639.238
3.2.1.1 Forward Foreign Currency Transactions-Buy		14.299	1.068.995	1.083.294	4.945	1.317.991	1.322.936
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.332	1.099.011	1.100.343	-	1.316.302	1.316.302
3.2.2 Other Forward Buy/Sell Transaction		2.505.710	2.592.452	5.098.162	-	-	-
3.3 Other		-	-	-	-	-	-
<b>B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>		<b>49.071.158</b>	<b>9.620.414</b>	<b>58.691.572</b>	<b>30.357.632</b>	<b>4.147.848</b>	<b>34.505.480</b>
<b>IV. ITEMS HELD IN CUSTODY</b>		<b>4.288.838</b>	<b>3.663.765</b>	<b>7.952.603</b>	<b>4.972.403</b>	<b>1.315.878</b>	<b>6.288.281</b>
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		3.456.809	-	3.456.809	4.448.877	-	4.448.877
4.3 Checks Received for Collection		763.292	105.777	869.069	438.873	95.040	533.913
4.4 Commercial Notes Received for Collection		66.130	47.052	113.182	55.181	13.204	68.385
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		2.607	611.077	613.684	29.472	347.982	377.454
4.8 Custodians		-	2.899.859	2.899.859	-	859.652	859.652
<b>V. PLEDGES RECEIVED</b>		<b>44.782.320</b>	<b>5.956.649</b>	<b>50.738.969</b>	<b>25.385.229</b>	<b>2.831.970</b>	<b>28.217.199</b>
5.1 Marketable Securities		4.625.008	81.855	4.706.863	907.668	150.109	1.057.777
5.2 Guarantee Notes		1.730.425	202.551	1.932.976	1.138.470	177.775	1.316.245
5.3 Commodity		2.190.421	803.351	2.993.772	1.493.748	544.166	2.037.914
5.4 Warranty		-	-	-	-	-	-
5.5 Immovable		30.944.489	3.734.417	34.678.906	17.783.352	1.032.354	18.815.706
5.6 Other Pledged Items		5.291.977	1.134.475	6.426.452	4.061.991	927.566	4.989.557
5.7 Pledged Items-Depository		-	-	-	-	-	-
<b>VI. ACCEPTED BILL GUARANTEES AND WARRANTIES</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b>		<b>58.995.924</b>	<b>23.554.814</b>	<b>82.550.738</b>	<b>35.624.027</b>	<b>13.249.061</b>	<b>48.873.088</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR YEAR ENDED 31 DECEMBER 2020

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME/EXPENSE ITEMS	Notes (V-IV)	Current Period 01/01-31/12/2020	Prior Period 01/01-31/12/2019
<b>I. PROFIT SHARE INCOME</b>	<b>(1)</b>	<b>4.191.345</b>	<b>3.594.457</b>
1.1 Profit Share on Loans		3.138.707	2.894.603
1.2 Profit Share on Reserve Deposits		24.005	39.137
1.3 Profit Share on Banks		23.995	574
1.4 Profit Share on Money Market Placements		-	-
1.5 Profit Share on Marketable Securities Portfolio		608.569	245.733
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		7.457	16.716
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		560.652	229.017
1.5.3 Financial Assets Measured at Amortised Cost		40.460	-
1.6 Financial Lease Income		379.390	380.566
1.7 Other Profit Share Income		16.679	33.844
<b>II. PROFIT SHARE EXPENSE</b>	<b>(2)</b>	<b>2.122.807</b>	<b>2.225.532</b>
2.1 Profit Share Expense on Participation Accounts		1.508.897	1.528.842
2.2 Profit Share Expense on Funds Borrowed		199.072	272.658
2.3 Profit Share Expense on Money Market Borrowings		63.603	12.323
2.4 Expense on Securities Issued		327.137	391.078
2.5 Lease Profit Share Expense		23.849	20.545
2.6 Other Profit Share Expenses		249	86
<b>III. NET PROFIT SHARE INCOME/EXPENSE (I - II)</b>		<b>2.068.538</b>	<b>1.368.925</b>
<b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>		<b>92.541</b>	<b>94.452</b>
4.1 Fees and Commissions Received		204.648	143.325
4.1.1 Non-cash Loans		111.337	114.436
4.1.2 Other		93.311	28.889
4.2 Fees and commissions paid (-)		112.107	48.873
4.2.1 Non-cash Loans		-	35
4.2.2 Other		112.107	48.838
<b>V. DIVIDEND INCOME</b>	<b>(3)</b>	<b>104</b>	<b>17.762</b>
<b>VI. NET TRADING INCOME (Net)</b>	<b>(4)</b>	<b>83.310</b>	<b>69.478</b>
6.1 Capital Market Transaction Gains / Losses		176.540	1.566
6.2 Gains/ Losses From Derivative Financial Instruments		(75.588)	44.062
6.3 Foreign Exchange Gains / Losses		(17.642)	23.850
<b>VII. OTHER OPERATING INCOME</b>	<b>(5)</b>	<b>268.144</b>	<b>159.008</b>
<b>VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)</b>		<b>2.512.637</b>	<b>1.709.625</b>
<b>IX. EXPECTED CREDIT LOSSES (-)</b>	<b>(6)</b>	<b>994.213</b>	<b>492.171</b>
<b>X. OTHER PROVISIONS (-)</b>		<b>173.855</b>	<b>87.244</b>
<b>XI. PERSONNEL EXPENSES (-)</b>		<b>235.155</b>	<b>183.767</b>
<b>XII. OTHER OPERATING EXPENSES (-)</b>	<b>(7)</b>	<b>316.932</b>	<b>241.143</b>
<b>XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)</b>		<b>792.482</b>	<b>705.300</b>
<b>XIV. INCOME RESULTED FROM MERGERS</b>		-	-
<b>XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES</b>		-	-
<b>XVI. GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)</b>	<b>(8)</b>	<b>792.482</b>	<b>705.300</b>
<b>XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>	<b>(9)</b>	<b>(153.920)</b>	<b>(188.565)</b>
18.1 Current Tax Provision		(201.535)	(202.224)
18.2 Expense Effect of Deferred Tax (+)		(35.731)	(4.150)
18.3 Income Effect of Deferred Tax (-)		83.346	17.809
<b>XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)</b>	<b>(10)</b>	<b>638.562</b>	<b>516.735</b>
<b>XX. INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
20.1 Income from Assets Held for Sale		-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
<b>XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
21.1 Expenses on Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses from Other Discontinued Operations		-	-
<b>XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)</b>		-	-
<b>XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)</b>		-	-
23.1 Current Tax Charge		-	-
23.2 Expense Effect of Deferred Tax (+)		-	-
23.3 Income Effect of Deferred Tax (-)		-	-
<b>XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)</b>		-	-
<b>XXV. NET PROFIT/LOSS (XVIII+XXIII)</b>	<b>(11)</b>	<b>638.562</b>	<b>516.735</b>
Earnings per share income/loss (Full TL)		0,3649	0,2953

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 2020**

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

<b>ZİRAAT KATILIM BANKASI A.Ş CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
	<b>Current Period 01/01-31/12/2020</b>	<b>Prior Period 01/01-31/12/2019</b>
<b>I. CURRENT PERIOD PROFIT/LOSS</b>	<b>638.562</b>	<b>516.735</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(71.117)</b>	<b>93.683</b>
<b>2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss</b>	<b>(4.703)</b>	<b>43</b>
2.1.1 Tangible Assets Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	(5.738)	52
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	-	-
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	1.035	(9)
<b>2.2 Other Income/Expense Items to be Recycled to Profit or Loss</b>	<b>(66.414)</b>	<b>93.640</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(85.243)	120.051
2.2.3 Gains/losses from Cash Flow Hedges	-	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	18.829	(26.411)
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>567.445</b>	<b>610.418</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

ZİRAAT KATILIM BANKASI A.Ş. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss						Total Equity Excluding Minority Shares		
	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Minority Shares	Minority Shares	Total Equity
PRIOR PERIOD 31 DECEMBER 2019																
I. Prior Period End Balance	1.750.000	-	-	250.000	-	(2.408)	-	-	(36.569)	-	232.981	350.893	-	2.544.897	-	2.544.897
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I-II)	1.750.000	-	-	250.000	-	(2.408)	-	-	(36.569)	-	232.981	350.893	-	2.544.897	-	2.544.897
IV. Total Comprehensive Income	-	-	-	-	-	43	-	-	93.640	-	-	-	516.735	610.418	-	610.418
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 (*)	-	-	-	11.513	-	-	-	-	-	-	-	-	-	11.513	-	11.513
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV+.....+X+XI)	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	28.228	516.735	3.166.828	-	3.166.828
CURRENT PERIOD 31 DECEMBER 2020																
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	544.963	-	3.166.828	-	3.166.828
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I-II)	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	544.963	-	3.166.828	-	3.166.828
IV. Total Comprehensive Income	-	-	-	-	-	(4.703)	-	-	(66.414)	-	-	-	638.562	567.445	-	567.445
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/decrease by other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	542.395	(542.395)	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	542.395	(542.395)	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end Balance (III+IV+.....+X+XI)	1.750.000	-	-	261.513	-	(7.068)	-	-	(9.343)	-	1.098.041	2.568	638.562	3.734.273	-	3.734.273

(\*) The Bank, Turkey Wealth Funds in the Market Stability and Balance Sub-Fund from April 22, 2019 BRSA approval, amounting to 100,000 euros on April 24, 2019 demand and profit without allowances added that the company provided as part of core capital subordinated loans and financial assets measured at amortized cost are taken to the balance sheet Includes the effect amounting to TL 11.513 resulting from the fair value calculation as of the date.

- 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 2020

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Notes (V-VI)	Current Period 01/01/2020 - 31/12/2020	Prior Period 01/01/2019 - 31/12/2019
<b>A. CASH FLOWS FROM BANKING OPERATIONS</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>229.435</b>	<b>293.549</b>
1.1.1 Profit Share Income Received	(1)	4.093.676	3.309.050
1.1.2 Profit Share Expense Paid	(1)	(2.010.679)	(2.110.916)
1.1.3 Dividend Received		104	17.762
1.1.4 Fees and Commissions Received		204.648	94.452
1.1.5 Other Income		351.453	11.871
1.1.6 Collections from Previously Written-off Loans		319.521	104.655
1.1.7 Payments to Personnel and Service Suppliers		(235.155)	(197.083)
1.1.8 Taxes Paid		(39.475)	(187.674)
1.1.9 Others		(2.454.658)	(748.568)
<b>1.2 Changes in Operating Assets and Liabilities</b>		<b>2.171.575</b>	<b>796.115</b>
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(1.151.690)	(15.541)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(4.076.803)	(766.835)
1.2.3 Net (Increase) / Decrease in Loans		(12.314.753)	(4.890.063)
1.2.4 Net (Increase) / Decrease in Other Assets		(1.834.009)	812.165
1.2.5 Net Increase / (Decrease) in Bank Funds		6.633.581	10.306
1.2.6 Net Increase / (Decrease) in Other Funds		14.295.324	10.309.851
1.2.7 Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss		6.961	-
1.2.8 Net Increase / (Decrease) in Funds Borrowed		(2.118.238)	(3.828.707)
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities		2.731.202	(835.061)
<b>I. Net Cash Provided from Banking Operations</b>		<b>2.401.010</b>	<b>1.089.664</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>II. Net Cash Provided from Investing Activities</b>		<b>(2.858.438)</b>	<b>(2.876.710)</b>
2.1 Cash Paid for Acquisition of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	-
2.2 Cash Obtained from Disposal of Associates, Subsidiaries and Entities under Common Control (Joint Ventures)		-	46.778
2.3 Purchases of Property and Equipment		(111.502)	(64.867)
2.4 Disposals of Property and Equipment		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2.501.065)	(2.314.864)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortized Cost		(231.687)	(542.494)
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		(14.184)	(1.263)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>III. Net Cash Provided from Financing Activities</b>		<b>2.368.503</b>	<b>1.495.332</b>
3.1 Cash Obtained from Funds Borrowed And Securities Issued		14.215.087	8.825.414
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(11.724.855)	(7.322.598)
3.3 Issued Equity Instruments		42.943	13.921
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(164.672)	(43.744)
3.6 Other		-	22.339
<b>IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents</b>	(1)	<b>1.456.262</b>	<b>195.076</b>
<b>V. Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)</b>		<b>3.367.337</b>	<b>(96.638)</b>
<b>VI. Cash And Cash Equivalents At The Beginning Of The Period</b>	(1)	<b>1.403.426</b>	<b>1.160.567</b>
<b>VII. Cash And Cash Equivalents At The End Of The Period</b>	(1)	<b>4.770.763</b>	<b>1.063.929</b>

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED STATEMENT OF PROFIT DISTRIBUTION TABLE  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

CONSOLIDATED PROFIT DISTRIBUTION TABLE		
	Current Period <sup>(*)</sup> (31/12/2020)	Prior Period <sup>(*)</sup> (31/12/2019)
<b>I. DISTRIBUTION OF PERIOD PROFIT</b>		
1.1 Period Profit	792.482	705.300
1.2 Taxes Payable and Legal Obligations (-)	153.920	202.224
1.2.1 Corporate Tax (Income Tax) (**)	201.535	202.224
1.2.2 Income Tax Deduction	-	-
1.2.3 Other Taxes and Legal Obligations	(47.615)	-
<b>A. NET PROFIT (1.1-1.2)</b>	<b>638.562</b>	<b>503.076</b>
1.3 Previous Periods Loss (-)	-	-
1.4 First Order Legal Reserve (-)	-	25.154
1.5 Legal Funds Required to Leave and Save at the Bank (-)	-	-
<b>B. DISTRIBUTABLE NET PROFIT [(A- (1.3 + 1.4 + 1.5)]</b>	<b>638.562</b>	<b>477.922</b>
1.6 First Dividend To Shareholders (-)	-	-
1.6.1 To Shareholders	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 Participation in Redeemed Certificates	-	-
1.6.4 To Profit Participation Bonds	-	-
1.6.5 To Profit and Loss Sharing Certificate Holders	-	-
1.7 Dividend to Personnel (-)	-	-
1.8 Dividend to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Shareholders	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 Participation in Dividends	-	-
1.9.4 Profit Participation Bonds	-	-
1.9.5 Profit and Loss Sharing Certificate Holders	-	-
1.10 Second Legal Reserve Fund (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves (***)	-	503.584
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
<b>II. DISTRIBUTION OF RESERVES</b>		
2.1 Reserves Distributed	-	-
2.2 Second Order Legal Reserves (-)	-	-
2.3 Share to Shareholders (-)	-	-
2.3.1 Shareholders	-	-
2.3.2 To Privileged Stock Owners	-	-
2.3.3 Participation in Redeemable Certificates	-	-
2.3.4 To Profit Participation Bonds	-	-
2.3.5 To Profit and Loss Sharing Certificate Holders	-	-
2.4 Share to Personnel (-)	-	-
2.5 Share to the Board of Directors (-)	-	-
<b>III. EARNINGS PER SHARE</b>		
3.1 Shareholders (***)	0,3526	0,2731
3.2 Shareholders (%)	35,2589	27,3098
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>		
4.1 Shareholders	-	-
4.2 Shareholders (%)	-	-
4.3 To Owners of Privileged Shares	-	-
4.4 To Owners of Privileged Shares (%)	-	-

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**SECTION THREE**

**EXPLANATIONS ON ACCOUNTING POLICIES**

**I. EXPLANATIONS ON BASIS OF PRESENTATION**

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**II. EXPLANATIONS ON STRATEGY OF USING FINANCIAL INSTRUMENTS AND FOREIGN CURRENCY TRANSACTIONS**

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

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

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

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

**III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES**

**Consolidation principles applied:**

The consolidated financial statements have been prepared in accordance with the procedures listed in the “Communiqués related to the Regulation on the Preparation of the Consolidated Financial Statements of Banks” published in the Official Gazette No. 26340 dated 8 November 2006 and the “Consolidated Financial Statements” (“TFRS 10”).

**1. Consolidation principles for subsidiaries:**

Subsidiaries (including special purpose entity) are all entities, in which the Parent Bank has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

Control is 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 2020

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

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

#### III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (Continued)

##### Consolidation principles applied (Continued):

##### 1. Consolidation principles for subsidiaries (Continued):

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

31 December 2020				
Title	Address (City/Country)	Main Activities	Group's Share Percentage (%)	Direct and Indirect Partnership Rates (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100

Ziraat Katılım Varlık Kiralama A.Ş. was established and registered to the trade registry in 22 January 2016 with the permission taken from “Banking Regulation and Supervision Agency” and “Capital Markets Board of Turkey”. Ziraat Katılım Varlık Kiralama A.Ş. has been founded to operate lease certificate according to rulings of Capital Markets Board of Turkey which was dated 7 June 2013 and numbered 28760 serial: 3 no: 61.1 published in Official Gazette. ZKB Varlık Kiralama Anonim Şirketi was established on 19 July 2017 with TL 50 capital amount paid by the Main Shareholder Bank. It began to operate after the registration on 8 September 2017.

##### 2. Consolidation principles of associates and joint ventures:

As of 31 December 2020, the Group has no subsidiaries and jointly controlled entities.

##### 3. Accounting for business combinations under common control

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

1. The acquirer recognizes the assets and liabilities of the acquirer into the financial statements at their carrying amounts determined in accordance with TFRS at the date of merger.
2. The acquirer measures the value of the non-controlling interests, if any, at the date of the merger over the proportional share of the carrying values of the assets and liabilities to which they relate. Changes in non-controlling interests arising from the merger are accounted for as equity transactions in accordance with TFRS 10 Consolidated Financial Statements.
3. Costs arising from the merger are recognized directly in profit or loss.
4. Goodwill does not exist in business combinations under common control.
5. The principles set forth in Articles 6 and 7 are applied in order to eliminate any possible asset - liability mismatch arising from a business combination subject to common control.
6. When the merger is recognized in ways other than a share exchange (e.g. when the merger occurs by cash payment or without paying any price):
  - a. If the carrying amount of the acquired net assets exceeds the transferred value, the difference is recognized as the additional capital of the shareholders and the value of the “Share Premium” item is increased.
  - b. If the transferred amount exceeds the carrying amount of the acquired net assets at the date of the merger, the difference is reflected in the “a Combination of Entities or Business Under Common Control” as an item reducing the equity.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (Continued)**

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

TFRS 3 is applied in the calculation of the transferred amount as of the merger date. However, in a merger subject to progressive joint control, the acquirer measures the equity shares in the acquired acquisitions over the book value at the beginning of the comparative period. However, equity shares acquired on a comparative date are measured at the purchase price. The acquirer eliminates the income or expenses that are reflected to the financial statements in relation to these shares in the period between these dates and the merger date.

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

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

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

With the Board of Directors decision dated 21 February 2019 and numbered 6/1, the Parent Bank takes over Ziraat Finansal Kiralama A.Ş. As a result of the merger, Ziraat Finansal Kiralama A.Ş.' 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Bank. Ziraat Yatırım Menkul Değerler A.Ş., registered in the 364979 registry number, was transferred to Ziraat Bankası A.Ş. on November 22, 2019, with a price of TL 39.703 and nominal value of TL14.400, corresponding to 24%.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

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

Derivative transactions are valued at their fair values subsequent to their acquisition. In accordance with the classification of derivative financial instruments, if the fair value is positive, the amount is classified as “Derivative Financial Assets at Fair Value Through Profit or Loss”, if the fair value is negative, the amount is classified as “Derivative Financial Liabilities at Fair Value Through Profit or Loss”. The fair value differences of derivative financial instruments are recognized in the income statement under trading profit/loss line in profit/loss from derivative financial transactions.

The fair value of derivative instruments is calculated by taking into account the market value of the derivatives or by using the discounted cash flow model.

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

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

Profit share incomes are recognized in accordance with internal rate of return method. The bank started to calculate rediscounts for non-performing loans as of January 1, 2018. And the Bank calculates expense accrual in accordance with the unit value calculation method on participation accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

**VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES**

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Commission income from cash loans are transferred to income accounts in accordance with TFRS 15 Revenue from Customer Contracts standard by using internal rate of return method depending on the periodicity principle. Other fee and commission expenses are recorded in the expense account as soon as they are paid.

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

**VII. EXPLANATIONS ON FINANCIAL ASSETS**

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments Part 3 Recognition and Derecognition. Financial assets are measured at fair value at initial recognition in the financial statements. During the initial recognition of financial assets other than “Financial Assets at Fair Value Through Profit or Loss”, transaction costs are added to fair value or deducted from fair value. They are included in the balance sheet of Bank, if the Bank is a legal party to these instruments.

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**a. Financial assets at fair value through profit or loss (Continued)**

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

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

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

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

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

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

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

**Equity investments**

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**c. Financial assets measured at amortized cost:**

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

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

**Loans**

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

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

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

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

**Explanations on expected loss provisions**

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Explanations on expected loss provisions (Continued)**

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

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

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

**Impairment**

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

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

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

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

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

***Provision for 12 month expected credit loss (Stage 1)***

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

***Provision for 12 month expected credit loss (Stage 1) (Continue)***

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

***Significant increase in credit risk (Stage 2)***

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2. The expected loss provision is calculated for loans under stage 1 by calculating the 1-year maturity, while the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity.

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

***Default (Stage 3)***

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

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

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

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**Probability of Default**

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

**Default Amount**

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

**Loss Given Default**

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

**Future Expectations**

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

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

**The Methodology of Behavioral Maturity Calculation**

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

**Write-off Policy**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

**X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES**

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds.

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

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

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

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

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

As of 31 December 2020, the Parent Bank’s held for sale tangible assets is TL75.240 (31 December 2019: TL104.069).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

As of the balance sheet date, there is no goodwill in the financial statements of the Bank.

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

Other intangible assets are amortized by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence. There has been no change in the depreciation method applied in the current period.

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

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

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

Subsequent to recognition, tangible fixed assets are presented in financial statements at cost less any accumulated depreciation and impairment loss, if any. Tangible fixed assets are amortized by using the straight-line method over their estimated useful lives.

Applied depreciation rates are as follows;

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

Ordinary maintenance and repair expenses incurred for tangible assets items are recognized as expenses. Investment expenditures that increase the future benefit by enhancing the capacity of property and equipment are capitalized. The investment expenditures include the cost components which are used either to increase the useful life or the capacity of the asset or the quality of the product or to decrease the costs.

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

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

There is no tangible assets that are held for sale.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

*Operational Leasing Transactions*

*Transactions as a lessee*

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

*Right of use;*

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

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

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

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

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

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

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

*Lease Liabilities:*

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES**

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

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

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

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

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

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

**a. Employment termination and vacation benefits**

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

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

##### a. Employment termination and vacation benefits (Continued)

The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 December 2020, the Bank’s employee termination benefit is TL18.984 (31 December 2019: TL8.662).

	Current period	Prior period
Discount rate	12,80%	12,10%
Inflation	10,10%	8,20%

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

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2020 unused vacation liability of the Bank is TL7.250 (31 December 2019: TL6.050)

The Group does not employ its personnel by means of limited-period contracts.

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

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

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

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

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

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

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

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; “Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506.

As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law. Based on the decision of the Council of Ministers dated 24 February 2014; May 2015 was determined as the transfer period. As a result of the last amendment made in the first paragraph of the provisional article 20 of the Law No. 5510 and the Occupational Health and Safety Law No. 6645 published in the Official Gazette dated 23 April 2015 and numbered 29335; The Council of Ministers has been authorized to determine the transfer date and the President has been authorized to determine the transfer date in the repeated Official Gazette numbered 30473 on 9 July 2018.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

**XVII. EXPLANATIONS ON TAXATION**

**a. Current tax**

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

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

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

**b. Deferred tax**

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

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

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

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

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

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

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

The Group recognizes its debt instruments in accordance with TFRS 9 “Financial Instruments” and all financial liabilities are carried at amortized cost by using effective interest rate method. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

**XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

There are no issued shares by The Parent Bank in 2020.

**XX. EXPLANATIONS ON ACCEPTANCES**

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

**XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES**

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



## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

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#### **EXPLANATIONS ON ACCOUNTING POLICIES (Continued)**

##### **XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS**

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

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

##### **XXIII. EXPLANATION ON SEGMENT REPORTING**

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

##### **XXIV. EXPLANATION ON OTHER MATTERS**

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**SECTION FOUR****EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT****I. EXPLANATIONS ON SHAREHOLDERS' EQUITY**

The equity amount and the capital adequacy standard ratio were calculated in accordance with the "Regulation on the Equity of Banks" and the "Regulation on the Measurement and Assessment of Capital Adequacy of Banks" and in addition to these, the BRSA's regulations dated March 23, 2020 and numbered 3397. According to the latest regulations;

- In calculating the amount subject to credit risk; Simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the date of 31 December 2020 can be used to calculate the valued amounts in foreign currency.
- If the net valuation differences of the securities owned by the banks included in the "Securities with Fair Value Differences in Other Comprehensive Income" portfolio as of March 23, 2020 are negative, these differences may not be taken into account in the amount of equity.

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

**Information related to the components of shareholders' equity:**

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

	Current Period 31.12.2020	Prior Period 31.12.2019
<b>Total of Original Capital and Supplementary Capital (Total Capital)</b>		
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA	3,328	886
<b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
<b>TOTAL CAPITAL</b>		
Total Capital (Total capital and contribution capital)	<b>4,704,364</b>	<b>3,901,711</b>
Total risk weighted amounts	31,904,009	23,533,881
<b>Capital Adequacy Ratios</b>		
Core Capital Adequacy Ratio (%)	11,13	12,86
Tier 1 Capital Adequacy Ratio (%)	13,35	15,06
Capital Adequacy Ratio (%)	14,75	16,58
<b>BUFFERS</b>		
<b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>	<b>2,50</b>	<b>2,50</b>
a) Capital conservation buffer requirement (%)	2,50	2,50
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,63	8,36
<b>Amounts below the Excess Limits as per the Deduction Principles</b>		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
<b>Limits related to provisions considered in Tier II calculation</b>		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	149,669	57,294
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	149,669	57,294
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
<b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>	-	-
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

(\*) The amount to be considered within the scope of transition provisions.

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

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

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

###### Information of the borrowing instruments to be included in equity calculation

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

<sup>(\*)</sup> Profit share for participation banks.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### Information of the borrowing instruments to be included in equity calculation (Continued)

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

(\*) Profit share for participation banks.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

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

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

##### II. EXPLANATIONS ON CREDIT RISK

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

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

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

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

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued)**

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

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

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

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

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

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

TFRS 9 expected loss provisions for the loans for the Stage 1 and Stage 2 are amounted TL 364.383 (31 December 2019: TL 106.073).



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### The Profile of Important Risks of Important Regions

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
<b>Current Period 31.12.2020</b>																	
Domestic	8.707.427	-	267.687	-	-	4.095.017	25.524.179	6.324.480	4.366.671	258.567	-	-	-	-	-	584.743	50.128.771
European Union Countries	-	-	-	-	-	855.147	549	6.786	2.141	-	-	-	-	-	-	-	864.623
OECD Countries (*)	-	-	-	-	-	13.521	-	75	6	-	-	-	-	-	-	-	13.602
Off-shore Banking Regions	-	-	-	-	-	160	-	-	-	-	-	-	-	-	-	-	160
USA, Canada	-	-	-	-	-	44.795	-	74	82	-	-	-	-	-	-	-	44.951
Other Countries	-	-	-	-	-	59.865	72.500	5.085	599	-	104.158	-	-	-	-	-	242.207
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>8.707.427</b>	<b>-</b>	<b>267.687</b>	<b>-</b>	<b>-</b>	<b>5.068.505</b>	<b>25.597.228</b>	<b>6.336.500</b>	<b>4.369.499</b>	<b>258.567</b>	<b>104.158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>584.743</b>	<b>51.294.314</b>

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

(\*) 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 2020

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### The Profile of Important Risks of Important Regions (Continued)

	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
<b>Prior Period 31.12.2019</b>																	
Domestic	4.559.049	-	28.235	-	-	2.794.537	17.546.529	3.490.654	2.485.739	202.276	-	-	-	-	-	765.741	31.872.760
European Union Countries	-	-	-	-	-	863.326	-	1.139	1.162	-	-	-	-	-	-	-	865.627
OECD Countries <sup>(*)</sup>	-	-	-	-	-	4.584	-	-	18	-	-	-	-	-	-	-	4.602
Off-shore Banking Regions	-	-	-	-	-	238.034	-	-	-	-	-	-	-	-	-	-	238.034
USA, Canada	-	-	-	-	-	305.303	-	62	103	-	-	-	-	-	-	-	305.468
Other Countries	-	-	-	-	-	20.465	121.340	182	428	-	45.500	-	-	-	-	-	187.915
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated Assets/Liabilities <sup>(**)</sup>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>4.559.049</b>	<b>-</b>	<b>28.235</b>	<b>-</b>	<b>-</b>	<b>4.226.249</b>	<b>17.667.869</b>	<b>3.492.037</b>	<b>2.487.450</b>	<b>202.276</b>	<b>45.500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>765.741</b>	<b>33.474.406</b>

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

<sup>(\*)</sup> OECD Countries other than EU countries, USA and Canada.

<sup>(\*\*)</sup> Assets and liabilities that could not be distributed on a consistent basis.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Risk Profile by Sectors or Counterparties

Current Period 31.12.2020	Risk Classes																		
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables	TL	FC	Total
Sectors/Counterparts																			
Agriculture	-	-	-	-	-	-	198.878	134.867	19.600	986	-	-	-	-	-	-	258.757	95.574	354.331
Farming and Stockbreeding	-	-	-	-	-	-	164.440	106.604	18.558	860	-	-	-	-	-	-	217.874	72.588	290.462
Forestry	-	-	-	-	-	-	10.168	19.379	1.042	126	-	-	-	-	-	-	29.664	1.051	30.715
Fishing	-	-	-	-	-	-	24.270	8.884	-	-	-	-	-	-	-	-	11.219	21.935	33.154
Manufacturing	-	-	232.935	-	-	-	12.589.802	2.142.431	432.093	88.841	-	-	-	-	-	-	7.461.418	8.024.684	15.486.102
Mining and Quarrying Production	-	-	-	-	-	-	390.530	23.871	38.652	1.226	-	-	-	-	-	-	250.483	203.796	454.279
Manufacturing Industry	-	-	232.935	-	-	-	11.410.574	2.085.729	369.386	87.443	-	-	-	-	-	-	6.857.675	7.328.392	14.186.067
Electric, Gas and Water	-	-	-	-	-	-	788.698	32.831	24.055	172	-	-	-	-	-	-	353.260	492.496	845.756
Construction	-	-	-	-	-	-	4.081.413	892.080	577.461	107.024	-	-	-	-	-	-	4.193.742	1.464.236	5.657.978
Services	8.707.427	-	34.752	-	-	5.068.505	8.238.272	2.582.413	908.330	61.320	104.158	-	-	-	-	-	12.534.325	13.170.852	25.705.177
Wholesale and Retail Trade	-	-	216	-	-	-	4.208.885	2.014.549	557.651	53.714	-	-	-	-	-	-	5.448.425	1.386.590	6.835.015
Hotel Food and Beverage Services	-	-	-	-	-	-	270.435	66.012	40.872	435	-	-	-	-	-	-	184.589	193.165	377.754
Transportation and Telecommunication	-	-	-	-	-	-	1.056.587	140.483	21.772	1.012	-	-	-	-	-	-	286.709	933.145	1.219.854
Financial Institutions	8.707.427	-	-	-	-	5.068.505	604.869	5.252	11.100	-	104.158	-	-	-	-	-	4.464.022	10.037.289	14.501.311
Real Estate and Leasing Services	-	-	20.836	-	-	-	1.696.450	263.628	211.819	4.441	-	-	-	-	-	-	1.795.336	401.838	2.197.174
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	48.585	19.292	52.394	1.717	-	-	-	-	-	-	100.566	21.422	121.988
Health and Social Services	-	-	13.700	-	-	-	352.461	73.197	12.722	1	-	-	-	-	-	-	254.678	197.403	452.081
Other	-	-	-	-	-	-	488.863	584.709	2.432.016	395	-	-	-	-	-	-	584.743	3.137.322	4.090.726
Total	8.707.427	-	267.687	-	-	5.068.505	25.597.228	6.336.500	4.369.500	258.566	104.158	-	-	-	-	584.743	27.585.564	23.708.750	51.294.314

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

#### Risk Profile by Sectors or Counterparties (Continued)

Prior Period	Risk Classes																TL	FC	Total
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organisations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralised by mortgages	Securitisation positions	Short-term from banks, brokerage houses and corporate	Investments similar to collective investment funds	Other receivables			
<b>Sectors/Counterparties</b>																			
Agriculture	-	-	-	-	-	-	121.547	91.625	15.209	698	-	-	-	-	-	-	108.846	120.233	229.079
Farming and Stockbreeding	-	-	-	-	-	-	116.888	79.229	15.030	698	-	-	-	-	-	-	99.481	112.364	211.845
Forestry	-	-	-	-	-	-	4.654	9.046	51	-	-	-	-	-	-	-	9.162	4.589	13.751
Fishing	-	-	-	-	-	-	5	3.350	128	-	-	-	-	-	-	-	203	3.280	3.483
Manufacturing	-	-	1.172	-	-	-	8.478.192	1.180.360	402.410	38.593	-	-	-	-	-	-	3.714.387	6.386.340	10.100.727
Mining and Quarrying Production	-	-	-	-	-	-	439.862	17.585	17.090	-	-	-	-	-	-	-	174.526	300.011	474.537
Manufacturing Industry	-	-	1.172	-	-	-	7.025.149	1.134.034	370.826	38.593	-	-	-	-	-	-	2.854.792	5.714.982	8.569.774
Electric, Gas and Water	-	-	-	-	-	-	1.013.181	28.741	14.494	-	-	-	-	-	-	-	685.069	371.347	1.056.416
Construction	-	-	-	-	-	-	3.643.981	610.415	437.998	41.214	-	-	-	-	-	-	3.024.393	1.709.215	4.733.608
Services	4.559.049	-	27.063	-	-	4.226.249	5.121.958	1.270.473	391.793	120.179	45.500	-	-	-	-	-	7.441.799	8.320.465	15.762.264
Wholesale and Retail Trade	-	-	-	-	-	-	2.816.442	934.732	236.664	79.001	-	-	-	-	-	-	2.217.876	1.848.963	4.066.839
Hotel Food and Beverage Services	-	-	-	-	-	-	159.604	46.362	34.461	624	-	-	-	-	-	-	44.672	196.379	241.051
Transportation and Telecommunication	-	-	-	-	-	-	523.093	48.246	3.769	1.191	-	-	-	-	-	-	96.140	480.159	576.299
Financial Institutions	4.559.049	-	3.847	-	-	4.226.249	352.690	3.302	5.531	-	45.500	-	-	-	-	-	4.220.192	4.975.976	9.196.168
Real Estate and Leasing Services	-	-	6.815	-	-	-	938.438	174.270	38.217	35.316	-	-	-	-	-	-	624.072	568.984	1.193.056
Self Employment Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	34.428	14.176	58.798	4.009	-	-	-	-	-	-	91.486	19.925	111.411
Health and Social Services	-	-	16.401	-	-	-	297.263	49.385	14.353	38	-	-	-	-	-	-	147.361	230.079	377.440
Other	-	-	-	-	-	-	302.191	339.164	1.240.040	1.592	-	-	-	-	-	-	765.741	1.617.667	2.648.728
<b>Total</b>	<b>4.559.049</b>	<b>-</b>	<b>28.235</b>	<b>-</b>	<b>-</b>	<b>4.226.249</b>	<b>17.667.869</b>	<b>3.492.037</b>	<b>2.487.450</b>	<b>202.276</b>	<b>45.500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>765.741</b>	<b>15.907.092</b>	<b>17.567.314</b>	<b>33.474.406</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**II. EXPLANATIONS ON CREDIT RISK (Continued)**

**Analysis of maturity-bearing exposures according to remaining maturities:**

	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
<b>Exposure Classifications:</b>					
Conditional and unconditional exposures to central governments or central banks	3.347.758	165.173	157.858	725.478	4.311.160
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	-	20.047	158.642	20.955	68.043
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organisations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4.870.053	181.554	11.422	-	5.476
Conditional and unconditional exposures to corporates	1.043.046	1.604.856	1.118.030	2.293.553	19.537.743
Conditional and unconditional retail exposures	359.541	166.441	257.891	515.412	5.037.215
Conditional and unconditional exposures secured by real estate property	21.354	49.906	66.697	259.680	3.971.863
Past due receivables	258.566	-	-	-	-
Receivables defined in high risk category by BRSA	104.158	-	-	-	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-
Investments in Equity Instruments	584.743	-	-	-	-
<b>Grand Total</b>	<b>10.589.219</b>	<b>2.187.977</b>	<b>1.770.540</b>	<b>3.815.078</b>	<b>32.931.500</b>

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

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

**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.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Exposures by risk weights:

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

Prepared with the numbers after conversion rate to credit.

##### Information in terms of major sectors and type of counterparties:

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

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

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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### II. EXPLANATIONS ON CREDIT RISK (Continued)

##### Information in terms of major sectors and type of counterparties (Continued)

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

##### Information about Value Adjustment and Change in Provisions:

Current Period (*) 31.12.2020		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	467.773	434.862	(113.792)	-	788.843
2	Stage 1 and 2 Provisions	106.073	307.281	(48.971)	-	364.383

Prior Period (*) 31.12.2019		Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
1	Stage 3 Provisions	123.778	324.644	(17.064)	36.415	467.773
2	Stage 1 and 2 Provisions	84.621	79.834	(80.991)	22.609	106.073

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

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****II. EXPLANATIONS ON CREDIT RISK (Continued)**

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

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

**Information on credit quality by financial asset class:**

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



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 2020, the cyclical capital buffer rate formed as a result of the calculations made as a result of the Bank's receivables from abroad other than Banks is 0%. The geographical distribution of receivables from the private sector, which is taken into account in the calculation of the circular capital buffer specific to the bank, is explained in the table below:

Current Period 31.12.2020			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	56.903	-	56.903
Germany	5.256	-	5.256
Saudi Arabia	1.568	-	1.568
England	712	-	712
Egypt	373	-	373
Bulgaria	152	-	152
Northern Cyprus Turkish Republic	100	-	100
France	85	-	85
USA	84	-	84
Senegal	75	-	75
Somalia	69	-	69
Switzerland	56	-	56
Jordan	40	-	40
Norway	2	-	2
Mauritania	-	-	-

Prior Period 31.12.2019			
Country	Banking accounts RWA	Trading accounts RWA	Total
United Arab Emirates	44.870	-	44.870
Marshall Islands	16.733	-	16.733
Saudi Arabia	1.553	-	1.553
Germany	415	-	415
Northern Cyprus Turkish Republic	88	-	88
USA	82	-	82
France	35	-	35
Holland	32	-	32
Jordan	22	-	22
Ghana	13	-	13
Austria	10	-	10
Italy	10	-	10
Romania	8	-	8
England	6	-	6
Norway	6	-	6
South Africa	2	-	2

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IV. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

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

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

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

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

None.

- c) **Foreign currency risk policy:**

Periodic “Liquidity Gap Analysis” is performed to determine the liquidity risks in the most important foreign currencies in which the Parent Bank operates, the US Dollar and Euro. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

- d) **Current foreign exchange bid rates of the Group for the last 5 business days prior to the financial statement date:**

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
31.12.2020	7,3857	9,0504	5,6805	1,2114	0,8992	8,3675	5,7475	0,8608	10,0376	1,9539	7,0960
30.12.2020	7,3433	9,0153	5,6026	1,2070	0,8933	8,2968	5,6890	0,8525	9,9325	1,9425	7,0530
29.12.2020	7,3323	8,9937	5,5490	1,2036	0,8909	8,2788	5,6703	0,8478	9,8462	1,9392	7,0080
28.12.2020	7,4097	9,0641	5,5972	1,2127	0,8916	8,3275	5,7176	0,8546	9,9662	1,9597	7,0770
27.12.2020	7,3433	9,0153	5,6026	1,2070	0,8933	8,2968	5,6890	0,8525	9,9325	1,9425	7,0530
25.12.2020	7,5374	9,1872	5,7005	1,2290	0,9061	8,4549	5,7981	0,8646	10,1606	1,9936	7,2110

- e) **Simple arithmetic average of the Parent Bank’s current foreign exchange bid rates for the last 30 days prior to the balance sheet date:**

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 JPY
7,6756	9,3492	5,7591	1,2503	0,9145	8,6268	5,9348	0,8778	10,2642	2,0305	7,3267

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

	EUR	USD	Other FC (***)	Total
<b>Current Period</b>				
<b>Assets</b>				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	1.446.293	2.463.064	1.158.184	5.067.541
Banks	341.378	3.291.531	1.154.465	4.787.374
Financial assets at fair value through profit and loss (****)	-	-	980.872	980.872
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	182.693	1.195.672	-	1.378.365
Loans (*)	7.454.281	5.615.649	-	13.069.930
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	779.437	-	-	779.437
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	363	363
Intangible assets	-	-	-	-
Other assets	19.060	1.394	14.846	35.300
<b>Total assets</b>	<b>10.223.142</b>	<b>12.567.310</b>	<b>3.308.730</b>	<b>26.099.182</b>
<b>Liabilities</b>				
Current account and funds collected from Banks via participation accounts	932	3.148	-	4.080
Current and participation accounts FC	7.223.351	11.038.918	3.217.239	21.479.508
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	966.504	80.024	-	1.046.528
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	1.092.483	106.480	18.589	1.217.552
<b>Total liabilities</b>	<b>9.283.270</b>	<b>11.228.570</b>	<b>3.235.828</b>	<b>23.747.668</b>
<b>Net balance sheet position</b>	<b>939.872</b>	<b>1.338.740</b>	<b>72.902</b>	<b>2.351.514</b>
<b>Net off-balance sheet position (**)</b>	<b>(1.089.668)</b>	<b>(1.414.557)</b>	<b>(227)</b>	<b>(2.504.452)</b>
Financial derivative assets	-	1.068.995	59.008	1.128.003
Financial derivative liabilities	1.089.668	2.483.552	59.235	3.632.455
<b>Net position</b>	<b>(149.796)</b>	<b>(75.817)</b>	<b>72.675</b>	<b>(152.938)</b>
<b>Non cash loans</b>	<b>5.489.608</b>	<b>3.480.241</b>	<b>106.639</b>	<b>9.076.488</b>
<b>Prior Period</b>				
Total assets	8.991.264	6.308.602	991.454	16.291.320
Total liabilities	7.620.980	7.671.150	926.101	16.218.231
<b>Net balance sheet position</b>	<b>1.370.284</b>	<b>(1.362.548)</b>	<b>65.353</b>	<b>73.089</b>
<b>Net off-balance sheet position</b>	<b>(1.316.302)</b>	<b>1.317.991</b>	<b>-</b>	<b>1.689</b>
Financial derivative assets	-	1.317.991	-	1.317.991
Financial derivative liabilities	1.316.302	-	-	1.316.302
<b>Non-cash loans</b>	<b>3.528.070</b>	<b>2.792.756</b>	<b>80.345</b>	<b>6.401.171</b>

(\*) The financial leases, expected credit losses, foreign currency indexed loan with an amounts of TL 103.151 equivalent balance to USD and TL 215.718 equivalent balance to EUR are included in the loans balance.

(\*\*) Shows net receivables and debts from derivative financial instruments.

(\*\*\*) The currencies in the other FC column of the assets section consist of 90% Gold, 2% GBP, 3% CHF, and the remaining 7% other currencies. The currencies in the FC column of liabilities section consist of %95 Gold, 2% GBP, 1% CHF and the remaining 3% other currencies.

(\*\*\*\*) Provisions, lease liabilities and subordinated loans are included.

(\*\*\*\*\*) It consists of a gold-based lease certificate in the amount of TL 980.872 issued by the Treasury.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS**

**Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value**

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL10.412 all of which are 100% risk weighted (31 December 2019: TL7.672).

**VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO**

General principles of liquidity and financial emergency situation management and the related application procedures are considered in the scope of "Regulation for Liquidity Risk and Liquidity and Financial Emergency Situation Management".

Generally participation accounts concentration weighted for 1 month in both banking and participation banking sectors, collecting funds are longer than maturity perceived as an element of risk, in order to reduce the risk, attention showed to the liquidity of maturity group which is due for one month.

The Parent Bank performs Remaining Maturity Analysis for the observation of the maturity structure of the balance sheet, Liquidity Gap Analysis for the monitoring of the liquidity and between periods and Liquidity Stress Test for the evaluation of the Bank's liquidity and in the worst case scenario and the loss associated with it. The main subject of the liquidity stress test is "Sudden Participation Fund Draws" and "Exchange Rate Changes". Besides, in order to compare the Bank's level of liquidity risk with the sector, average remaining maturity balances of Bank-Sector and legal liquidity rates are monitored.

The Bank calculates and reports the liquidity adequacy ratio to BRSA weekly on consolidated basis and monthly on consolidated basis in accordance with "Regulation for Regulation on Banks' Liquidity Coverage Ratio Calculation" issued in Official Gazette numbered 28948 and dated 21 March 2014. The liquidity coverage of the Bank is over the limit values specified in the mentioned regulation. Liquidity Coverage Ratio is above the limit value specified in the regulation.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

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

**1) 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, TL and FC liquidity meets its needs mostly from the funds collected, internal and external sources that can be used in an emergency in order to meet the liquidity requirements are monitored periodically, borrowing limits of the markets organized by the Bank and other banks, liquidity levels that can be met. The Bank manages liquidity risk within the regulations of Liquidity Risk and Liquidity and Financial Emergency Management.

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

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**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)**

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, constitutes Bank's main fund source, is provided from numerous customers.

The lowest and highest Liquidity Coverage Ratios in the fourth quarter of 2020 are listed in the table below.

<b>Current Period</b>	<b>Highest</b>	<b>Date</b>	<b>Lowest</b>	<b>Date</b>
TL+FC	169,71	29.12.2020	73,00	18.11.2020
FC	515,62	27.11.2020	276,94	04.10.2020

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

<b>Current Period 31.12.2020</b>	<b>Consideration Ratio Not Applied Total Value (*)</b>		<b>Consideration Ratio Applied Total Value (*)</b>	
	<b>TL+FC</b>	<b>FC</b>	<b>TL+FC</b>	<b>FC</b>
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>10.264.831</b>	<b>6.800.303</b>	<b>10.264.831</b>	<b>6.800.303</b>
High quality liquid assets	-	-	10.264.831	6.800.303
<b>CASH OUTFLOWS</b>	<b>58.629.258</b>	<b>30.312.004</b>	<b>17.677.933</b>	<b>6.453.633</b>
Real person deposits and retail deposits	18.045.333	11.702.096	1.848.015	1.255.054
Stable deposit	2.553.057	-	127.653	-
Deposit with low stability	15.492.276	11.702.096	1.720.362	1.255.054
Unsecured debts except real person deposits and retail deposits	22.978.598	8.224.931	13.838.433	3.631.821
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	22.978.598	8.224.931	13.838.433	3.631.821
Secured debts	-	-	-	-
Other cash outflows	17.605.327	10.384.977	1.991.486	1.566.757
Derivative liabilities and margin obligations	1.599.722	1.013.755	1.078.820	1.013.755
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	331.042	426.882	128.937	105.785
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	15.674.563	8.944.340	783.729	447.217
<b>TOTAL CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>17.677.934</b>	<b>6.453.632</b>
<b>CASH INFLOWS</b>	<b>7.023.770</b>	<b>4.951.618</b>	<b>5.767.065</b>	<b>4.571.863</b>
Secured receivables	-	-	-	-
Unsecured claims	5.893.623	4.030.512	4.636.918	3.650.757
Other cash inflows	1.130.147	921.105	1.130.147	921.105
<b>TOTAL CASH INFLOWS</b>	<b>7.023.770</b>	<b>4.951.617</b>	<b>5.767.065</b>	<b>4.571.862</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	<b>-</b>	<b>-</b>	<b>10.264.831</b>	<b>6.800.303</b>
<b>TOTAL NET CASH OUTFLOWS</b>	<b>-</b>	<b>-</b>	<b>11.910.869</b>	<b>1.881.770</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>86</b>	<b>361</b>

(\*) The monthly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****VI. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT  
AND LIQUIDITY COVERAGE RATIO (Continued)****2) Liquidity Coverage Ratio (Continued)**

Prior Period 31.12.2019	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
<b>HIGH QUALITY LIQUID ASSETS</b>	<b>4.906.883</b>	<b>3.146.170</b>	<b>4.906.883</b>	<b>3.146.170</b>
High quality liquid assets	-	-	4.906.883	3.146.170
<b>CASH OUTFLOWS</b>	<b>297.431.090</b>	<b>110.812.049</b>	<b>27.136.275</b>	<b>11.822.341</b>
Real person deposits and retail deposits	141.981.326	62.695.083	12.003.597	6.269.508
Stable deposit	43.890.713	-	2.194.536	-
Deposit with low stability	98.090.613	62.695.083	9.809.061	6.269.508
Unsecured debts except real person deposits and retail deposits	17.275.939	7.766.427	7.924.323	3.287.399
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	17.275.939	7.766.427	7.924.323	3.287.399
Secured debts	-	-	-	-
Other cash outflows	138.173.825	40.350.539	7.208.355	2.265.434
Derivative liabilities and margin obligations	104.940	64.231	97.382	64.231
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	809.215	754.504	247.990	224.613
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	137.259.670	39.531.804	6.862.983	1.976.590
<b>TOTAL CASH OUTFLOW</b>	<b>297.431.090</b>	<b>110.812.050</b>	<b>27.136.275</b>	<b>11.822.341</b>
<b>CASH INFLOWS</b>	<b>5.865.671</b>	<b>2.576.685</b>	<b>3.970.684</b>	<b>2.049.043</b>
Secured receivables	-	-	-	-
Unsecured claims	5.768.697	2.511.025	3.873.710	1.983.383
Other cash inflows	96.974	65.660	96.974	65.660
<b>TOTAL CASH INFLOWS</b>	<b>5.865.671</b>	<b>2.576.685</b>	<b>3.970.684</b>	<b>2.049.043</b>
Applied maximum rate values	-	-	-	-
<b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>	-	-	<b>4.906.883</b>	<b>3.146.170</b>
<b>TOTAL NET CASH OUTFLOWS</b>	-	-	<b>23.165.591</b>	<b>9.773.298</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	-	-	<b>21</b>	<b>32</b>

(\*) The monthly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### Presentation of assets and liabilities according to their remaining maturities

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
<b>Current Period 31.12.2020</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	640.288	4.833.974	-	-	-	-	-	5.474.262
Banks <sup>(*)</sup>	4.043.012	756.674	-	-	-	-	-	4.799.686
Financial Assets at Fair Value Through Profit and Loss	-	3.006	90.527	527.039	360.300	-	-	980.872
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	28.342	649.154	911.323	3.546.501	-	10.412	5.145.732
Loans Given	-	1.292.151	2.642.589	7.672.789	22.264.432	7.942.234	392.215	42.206.410
Financial Assets Measured at Amortised Cost	-	-	-	-	779.437	-	-	779.437
Other Assets	-	-	-	-	-	-	800.497	800.497
<b>Total Assets</b>	<b>4.683.300</b>	<b>6.914.147</b>	<b>3.382.270</b>	<b>9.111.151</b>	<b>26.950.670</b>	<b>7.942.234</b>	<b>1.203.124</b>	<b>60.186.896</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	4.554.961	-	6.934	-	-	-	-	4.561.895
Current and Participation Accounts	7.445.184	25.764.602	6.452.479	2.113.970	47.920	-	-	41.824.155
Funds Provided from Other Financial Instruments	-	147.376	195.418	512.433	533.382	38.005	-	1.426.614
Money Market Borrowings	-	2.101.073	-	-	-	-	-	2.101.073
Issued Marketable Securities <sup>(***)</sup>	-	864.472	2.552.733	600.045	1.080.526	-	-	5.097.776
Other Liabilities	-	-	-	-	-	-	5.175.383	5.175.383
<b>Total Liabilities</b>	<b>12.000.145</b>	<b>28.877.523</b>	<b>9.207.564</b>	<b>3.226.448</b>	<b>1.661.828</b>	<b>38.005</b>	<b>5.175.383</b>	<b>60.186.896</b>
<b>Liquidity Gap</b>	<b>(7.316.845)</b>	<b>(21.963.376)</b>	<b>(5.825.294)</b>	<b>5.884.703</b>	<b>25.288.842</b>	<b>7.904.229</b>	<b>(3.972.259)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>28.293</b>	<b>(14.906)</b>	<b>838</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>14.225</b>
Receivables From Derivative Financial Instruments	-	3.090.778	548.603	8.631	-	-	-	3.648.012
Financial Derivative Liabilities	-	3.062.485	563.509	7.793	-	-	-	3.633.787
<b>Non-Cash Loans</b>	<b>2.405.872</b>	<b>691.439</b>	<b>1.632.493</b>	<b>6.099.552</b>	<b>4.733.595</b>	<b>352.819</b>	<b>-</b>	<b>15.915.770</b>

<sup>(\*)</sup> Includes expected loss provision.

<sup>(\*\*)</sup> Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

<sup>(\*\*\*)</sup> The total of subordinated debt instruments is shown in this column.



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
<b>Prior Period 31.12.2019</b>								
<b>Assets</b>								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	418.735	2.475.665	-	-	-	-	-	2.894.400
Banks(**)	916.283	-	-	-	-	-	-	916.283
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	3.594	349.212	583.141	1.443.318	-	7.672	2.386.937
Loans Given	-	7.029.842	1.338.998	5.654.593	12.044.093	2.923.658	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	-	-	547.750	-	-	547.750
Other Assets(***)	-	-	-	-	-	-	655.520	655.520
<b>Total Assets</b>	<b>1.335.018</b>	<b>9.509.101</b>	<b>1.688.210</b>	<b>6.237.734</b>	<b>14.035.161</b>	<b>2.923.658</b>	<b>663.192</b>	<b>36.392.074</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	123	-	-	-	-	-	-	123
Current and Participation Accounts	4.138.085	13.556.021	4.268.215	3.264.383	230.318	-	-	25.457.022
Funds Provided from Other Financial Instruments	-	84.509	320.539	2.439.289	575.484	75.850	-	3.495.671
Money Market Borrowings	-	19.135	-	-	-	-	-	19.135
Issued Marketable Securities	-	709.429	1.165.489	608.081	-	-	-	2.482.999
Other Liabilities(***)	-	-	-	-	849.689	-	4.087.435	4.937.124
<b>Total Liabilities</b>	<b>4.138.208</b>	<b>14.369.094</b>	<b>5.754.243</b>	<b>6.311.753</b>	<b>1.655.491</b>	<b>75.850</b>	<b>4.087.435</b>	<b>36.392.074</b>
<b>Liquidity Gap</b>	<b>(2.803.190)</b>	<b>(4.859.993)</b>	<b>(4.066.033)</b>	<b>(74.019)</b>	<b>12.379.670</b>	<b>2.847.808</b>	<b>(3.424.243)</b>	<b>-</b>
<b>Net Off-Balance Sheet Position</b>	<b>-</b>	<b>(11.580)</b>	<b>18.056</b>	<b>158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6.634</b>
Receivables From Derivative Financial Instruments	-	1.186.774	133.020	3.142	-	-	-	1.322.936
Financial Derivative Liabilities	-	1.198.354	114.964	2.984	-	-	-	1.316.302
<b>Non-Cash Loans</b>	<b>2.018.432</b>	<b>487.579</b>	<b>1.480.078</b>	<b>4.981.773</b>	<b>2.136.365</b>	<b>223.910</b>	<b>-</b>	<b>11.328.137</b>

(\*) Includes expected loss provision..

(\*\*) Assets which are required for banking operations and could not be converted into cash in short-term, such as; property and equipment associates, subsidiaries and entities under common control, office supply inventory, prepaid expenses and net under follow-up loans as well as securities representing a share in capital; and other liabilities such as provisions which are not considered as payables and equity are classified as undistributed.

(\*\*\*) The total of subordinated debt instruments is shown in this column.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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	1 Aya Kadar	1-3 Ay	3-12 Ay	1-5 Yıl	5 Yıldan Fazla	Toplam
Banks special current account and participation accounts	4.554.961	6.934	-	-	-	4.561.895
Other special current account and participation accounts	33.209.786	6.452.479	2.113.970	47.920	-	41.824.155
Funds borrowed from other financial institutions	147.376	195.418	512.433	533.382	38.005	1.426.614
Funds borrowed from Interbank money market	2.101.073	-	-	-	-	2.101.073
<b>Total</b>	<b>40.013.196</b>	<b>6.654.831</b>	<b>2.626.403</b>	<b>581.302</b>	<b>38.005</b>	<b>49.913.737</b>
<b>Prior Period</b>						
Banks special current account and participation accounts	123	-	-	-	-	123
Other special current account and participation accounts	17.694.106	4.268.215	3.264.383	230.318	-	25.457.022
Funds borrowed from other financial institutions	793.938	1.486.028	3.047.370	575.484	75.850	5.978.670
Funds borrowed from Interbank money market	19.135	-	-	-	-	19.135
<b>Total</b>	<b>18.507.302</b>	<b>5.754.243</b>	<b>6.311.753</b>	<b>805.802</b>	<b>75.850</b>	<b>31.454.950</b>

#### VII. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 31 December 2020, the leverage ratio of the Group calculated from the average of three months is 5,65%. (31 December 2019: 7,73%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as 3%.

Leverage ratio disclosure as follows:

	Current Period (*) 31.12.2020	Prior Period 31.12.2019
<b>Balance sheet assets</b>		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	58.662.572	33.912.099
(Assets deducted from main capital)	(176.435)	(136.619)
Assets deducted from main capital	58.486.137	33.775.480
<b>Derivative financial instruments and credit derivatives</b>		
Replacement cost of derivative financial instruments and credit derivatives	22.027	20.334
Potential credit risk amount of derivative financial instruments and credit derivatives	21.256	14.549
Total risk amount of derivative financial instruments and credit derivative	43.283	34.883
<b>Security or secured financing transactions</b>		
Risk amount of security or secured financing transactions (Except balance sheet)	145.965	65.054
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	145.965	65.054
<b>Off-balance sheet transactions</b>		
Gross nominal amount of off-balance sheet transactions	16.834.815	11.309.929
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	16.834.815	11.309.929
<b>Equity and total risk</b>		
Main capital	4.267.519	3.484.433
Total risk amount	75.501.505	45.185.346
<b>Leverage ratio</b>		
Leverage ratio %	5,65	7,73

(\*) Three month average of the amounts in the table are taken into account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**VIII. EXPLANATIONS ON SECURITIZATION POSITIONS**

None.

**IX. EXPLANATIONS ON RISK MANAGEMENT**

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management to be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (“IRB”) have not been presented.

Within the scope of risk management, there are many risks that affect the Bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of the Bank and is aimed to respond to customers’ financial needs in the most appropriate way and to support their financial success. In this context, business practices and working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

Scenarios such as sudden changes in the curriculum, changes in country grades, changes in the loan portfolio are taken into account in the stress tests conducted.

The capital adequacy ratio is followed up by the simulation method on a daily basis although it is followed up within the monthly period which is the legal submission period. The liquidity coverage ratio of the bank is monitored daily by the risk management and is shared with the top management of the bank and the treasury unit.

In order to create a common risk culture in our bank, our bank employees are given risk management training and strategically important units have detailed explanations about the importance of risk management. Risk management policies and procedures, banking regulations based on significant risks, are available to all employees working in the Bank.

The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****1. Explanations on Risk Management and Risk-Weighted Assets****a) Overview of Risk-Weighted Assets**

		Risk Weighted Amount		Minimum Capital Requirement
		Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020
1	Credit risk (excluding counterparty credit risk)	29.650.611	22.300.329	2.372.049
2	Standardized approach	29.650.611	22.300.329	2.372.049
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	131.015	45.469	10.481
5	Standardized approach for counterparty credit risk	131.015	45.469	10.481
6	Internal model method	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	IRB ratings-based approach	-	-	-
14	IRB supervisory formula approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	290.659	183.570	23.253
17	Standardized approach	290.659	183.570	23.253
18	Internal model approaches	-	-	-
19	Operational risk	1.831.724	1.004.413	146.538
20	Basic indicator approach	1.831.724	1.004.413	146.538
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	<b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>	<b>31.904.009</b>	<b>23.533.781</b>	<b>2.552.321</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 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 31.12.2020	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Carrying values of items	
				Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and Balances at Central Bank	5.477.120	5.477.120	-	5.067.541	-
Derivative Financial Assets	28.253	-	28.253	-	-
Financial Assets Measured At Fair Value To Profit	980.872	-	980.872	-	-
Banks	4.799.768	4.799.768	-	4.787.374	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	5.142.792	5.142.792	2.235.531	1.378.365	-
Loans and Receivable	37.070.191	37.070.191	-	10.466.219	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	779.437	779.437	-	779.437	-
Investments in Associates (Net)	-	-	-	-	-
Investments in Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables form Leasing Transactions	5.136.219	5.136.219	-	2.284.842	-
Derivative Financial Assets for Hedging Purposes	-	-	-	9	-
Tangible Assets (Net)	177.964	177.964	-	363	21.363
Inangible Assets (Net)	161.257	-	-	-	161.257
Investment Properties (Net)	-	-	-	-	-
Tax Asset	108.597	108.597	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	75.240	75.240	-	-	-
Other Assets	249.186	249.186	-	35.458	-
<b>Total Assests</b>	<b>60.186.896</b>	<b>59.016.514</b>	<b>3.244.656</b>	<b>24.799.608</b>	<b>182.620</b>
<b>Liabilities</b>					
Deposits	46.386.050	-	-	21.483.588	-
Derivative Financial Liabilities	19.440	-	-	19.440	-
Funds Borrowed	1.426.614	-	-	1.046.528	-
Money Markets	2.101.073	-	2.079.285	-	-
Securities Issued (Net)	4.017.250	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	788.160	-	-	216.629	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	127.634	-	-	15.688	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	409.244	-	-	197.616	-
Tax Liability	96.632	-	-	142	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	1.080.526	-	-	768.037	-
Equity	3.734.273	-	-	(84)	-
<b>Total Liabilities</b>	<b>60.186.896</b>	<b>-</b>	<b>2.079.285</b>	<b>23.747.584</b>	<b>-</b>

(\*) It represents the Bank's consolidated financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 1. Connections Between Financial Statements and the Risk Amounts (Continued)

##### a) Differences between accounting consolidation and legal consolidation and matching of the subject (Continued)

Prior Period 31.12.2019	Valued amount according to TAS within legal consolidation (*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Carrying values of items	
				Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
<b>Assets</b>					
Cash and Balances at Central Bank	2.894.439	2.894.439	-	2.794.300	-
Derivative Financial Assets	17.496	-	17.496	-	-
Financial Assets Measured At Fair Value To Profit	-	-	-	-	-
Banks	916.418	916.418	-	911.213	-
Receivables From Money Markets	-	-	-	-	-
Financial Assets Measured At Fair Value To Other Comprehensive Income	2.386.763	2.386.763	105.559	301.717	-
Loans and Receivable	25.334.818	26.010.100	-	8.862.682	-
Factoring Receivable	-	-	-	-	-
Financial Assets Measured At Amortised Cost	547.750	547.750	-	547.750	-
Investments In Associates (Net)	-	-	-	-	-
Investments In Subsidiaries (Net)	-	-	-	-	-
Jointly Controlled Partnerships (Joint Ventures) (Net)	-	-	-	-	-
Receivables Form Leasing Transactions	3.656.366	3.656.366	-	2.124.383	-
Derivative Financial Assets for Hedging Purposes	-	-	-	-	-
Tangible Assets (Net)	157.597	137.362	-	-	20.234
Inangible Assets (Net)	120.641	-	-	-	120.641
Investment Properties (Net)	-	-	-	-	-
Tax Asset	42.153	42.153	-	-	-
Non-Currents Assets Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	104.069	104.069	-	-	-
Other Assets	213.564	213.564	-	65.527	-
<b>Total Assets</b>	<b>36.392.074</b>	<b>36.908.984</b>	<b>123.055</b>	<b>15.607.572</b>	<b>140.875</b>
<b>Liabilities</b>					
Deposits	25.457.145	-	-	12.425.040	-
Derivative Financial Liabilities	12.479	-	-	12.460	-
Funds Borrowed	5.978.670	-	-	3.121.136	-
Money Markets	19.135	-	19.135	-	-
Securities Issued (Net)	-	-	-	-	-
Funds	-	-	-	-	-
Other Liabilities	440.397	-	-	76.805	-
Factoring Liabilities	-	-	-	-	-
Leasing Liabilities	110.059	-	-	12.267	-
Derivative Financial Liabilities for Hedging Purposes	-	-	-	-	-
Provisions	235.279	-	-	45.645	-
Tax Liability	122.393	-	-	-	-
Non-Currents Liabilities Or Disposal Groups "Held For Sale" And "From Discontinued Operations (Net)	-	-	-	-	-
Subordinated Debt Instruments	849.689	-	-	537.338	-
Equity	3.166.828	-	-	642	-
<b>Total Liabilities</b>	<b>36.392.074</b>	<b>-</b>	<b>19.135</b>	<b>16.231.333</b>	<b>-</b>

(\*) It represents the Bank's consolidated financial statements.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****2. Connections Between Financial Statements and the Risk Amounts (Continued)****b) The main sources of the differences between the risk amounts and the amounts assessed in accordance with TAS in the financial statements**

<b>Current Period 31.12.2020</b>	<b>Total</b>	<b>Subject to credit risk framework</b>	<b>Securitization position</b>	<b>Subject to counterparty credit risk framework</b>	<b>Subject to the market risk framework</b>
<b>Asset carrying value amount under scope of regulatory consolidation</b>	60.186.896	59.016.514	-	3.244.656	24.799.608
Liabilities carrying value amount under regulatory scope of consolidation	2.101.073	-	-	2.079.285	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>58.085.823</b>	<b>59.016.514</b>	-	<b>1.165.371</b>	<b>24.799.608</b>
Differences in valuations	23.859.166	16.422.235	-	7.436.931	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Amount of Risk</b>	<b>81.944.989</b>	<b>75.438.749</b>	-	<b>8.602.302</b>	<b>24.799.608</b>

<b>Prior Period 31.12.2019</b>	<b>Total</b>	<b>Subject to credit risk framework</b>	<b>Securitization position</b>	<b>Subject to counterparty credit risk framework</b>	<b>Subject to the market risk framework</b>
<b>Asset carrying value amount under scope of regulatory consolidation</b>	36.392.074	36.908.984	-	123.056	15.607.573
Liabilities carrying value amount under regulatory scope of consolidation	19.135	-	-	19.135	-
<b>Total net amount under regulatory scope of consolidation</b>	<b>36.372.939</b>	<b>36.908.084</b>	-	<b>103.921</b>	<b>15.607.573</b>
Differences in valuations	12.082.308	11.619.628	-	462.681	-
Valuation Differences	-	-	-	-	-
Differences due to different netting rules (other than those already included in row 2)	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
<b>Amount of Risk</b>	<b>48.455.247</b>	<b>48.528.612</b>	-	<b>566.602</b>	<b>15.607.573</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****3. Credit Risk Explanations****3.1) General information on credit risk****a) General qualitative information on credit risk**

Effective management of credit risk is one of the important elements of a comprehensive approach to risk management. Corporate, retail and SME loans, financial lease receivables, other elements of bank assets and non-cash transactions, which are provided in connection with the activities of our bank, constitute the basis of the items that constitute credit risk. It is important to take into account the risk appetite of our bank in the activities carried out in this direction, in terms of effective credit risk management.

Credit risk limits; It has been designed in accordance with the risk levels the Bank may take, its activities, the size and complexity of its products and services, and was determined by taking the opinions and suggestions of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly reviewed and monitored periodically, adapted according to changes in market conditions, Bank strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance was reviewed and a policy was created in line with the Bank's strategies and objectives.

Credit risk calculations are made carefully and meticulously and controls are carried out in accordance with the legislation. Currently, calculations are made with the standard method, and infrastructure studies are ongoing for the use of advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit units, and legal requirements are taken into account at every stage.

Detailed reports including the credit risk exposure and its relations with other risks are periodically shared with the Board of Directors and Senior Managers, and the credit risk is effectively monitored by the risk management unit.

**b) Credit quality of assets**

		<b>Defaulted</b>	<b>Non-defaulted</b>	<b>Allowances/Amortisation and impairments</b>	<b>Net values</b>
1	Loans (*)	1.181.058	42.178.578	1.153.226	42.206.410
2	Debt Securities	-	7.058.197	162.568	6.895.629
3	Off-balance sheet exposures	-	16.577.367	26.708	16.550.659
4	<b>Total</b>	<b>1.181.058</b>	<b>65.814.142</b>	<b>1.342.502</b>	<b>65.652.698</b>

(\*) Financial lease amounting to TL 5.136.219 is included in the table.

**c) Changes on defaulted loans and debt securities**

1	<b>Defaulted loans and debt securities at end of the previous reporting period</b>	947.102
2	Loans and debt securities that have defaulted since the last reporting period	132.910
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes (*)	101.046
6	<b>Defaulted loans and debt securities at end of the reporting period (1+2-3-4+5) definitions</b>	<b>1.181.058</b>

(\*) A total of 101.046 TL receivables, which are monitored in the TOA accounts, with full provision, amounting to TL 89.382 and TL 11.664 ,respectively, were excluded from the consolidated and consolidated financial statements based on the transfer agreements of the receivables dated 1 December 2020 and 29 December 2020, respectively.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****3. Credit Risk Explanations (Continued)****3.1) General information on credit risk (Continued)****d) Additional explanations on credit quality of assets (Continued)****i. Differences between definitions and explanations of "deferred" receivables and receivables for which "provision was allocated", and definitions of "deferred" and "provision of allocation", if any**

The Bank allocates specific and general provisions for its loans and other receivables within the framework of the "Regulation on the Classification of Loans and the Procedures and Principles for the Provisions to be Set aside for These".

**ii. The portion that is not considered within the scope of "allocation of provision" among deferred receivables (over 90 days) and reasons for this practice**

The Bank automatically transfers loans past due 90 days (to be temporarily applied as 180 days until June 30, 2021) to follow-up accounts in accordance with the provisions of the Provisions Regulation and allocates the corresponding class provision.

**iii. Definitions of methods used for determining provision amount**

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

**iv. Definitions of restructured receivable**

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

**v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets**

Current Period 31.12.2020	Credits Impaired (TFRS 9)			Total
	Significant Increase in Credit Risk (Stage 2)	Default (Stage 3)	Expected Credit Loss Provisions	
Domestic	1.751.704	1.181.058	1.153.226	1.153.226
European Union Countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other Countries	-	-	-	-
<b>Total</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>1.153.226</b>	<b>1.153.226</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****IX. EXPLANATIONS ON RISK MANAGEMENT (Continued)****3. Credit Risk Explanations (Continued)****3.1) General information on credit risk (Continued)****d) Additional explanations on credit quality of assets (Continued)****v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets (Continued)**

	Credits			Total
	Significant Increase in Credit Risk (Stage 2)	Impaired (TFRS 9) Default (Stage 3)	Expected Credit Loss Provisions	
<b>Prior Period 31.12.2019</b>				
Domestic	1.398.126	675.282	573.846	573.846
European Union Countries	-	-	-	-
USA, Canada	-	-	-	-
OECD Countries	-	-	-	-
Off-Shore Banking Regions	-	-	-	-
Other Countries	-	-	-	-
<b>Total</b>	<b>1.398.126</b>	<b>675.282</b>	<b>573.846</b>	<b>573.846</b>

<b>Current Period 31.12.2020</b>	<b>Loans</b>	<b>Non Performing Loans</b>	<b>Expected Loss Provisions</b>	<b>Total</b>
Agriculture	992.055	18.201	20.991	989.265
Farming and Stockbreeding	704.420	13.518	16.415	701.523
Forestry	265.979	3.815	3.761	266.033
Fishing	21.656	868	815	21.709
Manufacturing	19.279.023	497.187	479.857	19.296.353
Mining and Quarrying	3.405.649	15.971	43.927	3.377.693
Production	15.455.153	475.769	429.492	15.501.430
Electric, Gas and Water	418.221	5.447	6.438	417.230
Construction	11.415.118	404.887	293.953	11.526.052
Services	10.483.535	256.344	356.848	10.387.650
Wholesale and Retail Trade	6.581.978	185.849	274.660	6.493.167
Hotel Food and Beverage Services	351.341	2.782	3.809	350.314
Transportation and Telecommunication	303.608	29.489	33.008	300.089
Financial Institutions	1.201.035	-	1.154	1.199.881
Real Estate and Leasing Services	1.367.910	30.441	31.066	1.367.285
Self Employment Services	87.162	502	1.344	86.320
Education Services	91.006	52	560	90.498
Health and Social Services	499.495	7.229	11.247	495.477
Other	8.847	4.439	5.371	7.915
<b>Total</b>	<b>42.178.578</b>	<b>1.181.058</b>	<b>1.153.226</b>	<b>42.206.410</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### 3.1) General information on credit risk (Continued)

##### d) Additional explanations on credit quality of assets (Continued)

##### v. Breakdown of receivables by geographic regions, sectors and remaining maturity; receivable amounts subject to allocation of provision by geographic regions and sectors and their respective provisions; amounts removed from the assets (Continued)

Prior Period 31.12.2019	Loans	Non Performing Loans	Expected Loss Provisions	Total
Agriculture	801.694	15.350	10.194	806.850
Farming and Stockbreeding	700.355	12.001	7.750	704.606
Forestry	88.553	2.510	1.823	89.240
Fishing	12.786	839	621	13.004
Manufacturing	10.435.958	250.207	221.954	10.464.211
Mining and Quarrying	2.085.611	5.951	9.695	2.081.867
Production	7.745.368	239.581	208.652	7.776.297
Electric, Gas and Water	604.979	4.675	3.607	606.047
Construction	4.479.509	76.453	63.398	4.492.564
Services	10.887.275	304.252	193.335	10.998.192
Wholesale and Retail Trade	4.183.944	161.902	114.417	4.231.429
Hotel Food and Beverage Services	166.539	1.357	1.594	166.302
Transportation and Telecommunication	248.139	38.299	25.629	260.809
Financial Institutions	5.399.102	-	2.873	5.396.229
Real Estate and Leasing Services	666.932	93.742	42.647	718.027
Self Employment Services	-	-	-	-
Education Services	65.099	33	398	64.734
Health and Social Services	157.520	8.919	5.777	160.662
Other	2.285.312	29.020	84.965	2.229.367
<b>Total</b>	<b>28.889.748</b>	<b>675.282</b>	<b>573.846</b>	<b>28.991.184</b>

##### vi. Aging analysis for overdue receivables

Current Period 31.12.2020	1 month	1-2 months	2-3 months	Total
Loans and Receivables <sup>(1)</sup>	-	-	-	-
Corporate / Entrepreneurial Loans	121.578	38.696	644.845	805.119
Personal Credit	32.330	7.234	5.108	44.672
<b>Total</b>	<b>153.908</b>	<b>45.930</b>	<b>649.953</b>	<b>849.791</b>

<sup>(1)</sup> The amounts in the table are the installment amounts due for installment loans, and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are 365.120 TL.

Prior Period 31.12.2019	1 month	1-2 months	2-3 months	Total
Loans and Receivables <sup>(1)</sup>	-	-	-	-
Corporate / Entrepreneurial Loans	314.941	131.792	187.144	633.877
Personal Credit	246	-	-	246
<b>Total</b>	<b>315.187</b>	<b>131.792</b>	<b>187.144</b>	<b>634.123</b>

<sup>(1)</sup> The amounts in the table are the installment amounts due for installment loans, and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are 764.003 TL.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### 3.2) Credit risk mitigation

##### a) Qualitative requirements to be disclosed to public regarding credit risk mitigation techniques

In the collateralization transactions related to the lending processes of the Bank, the issues that may pose a risk from now on are taken into consideration. In the bank collateral policy, risks are now managed by taking into account all risks such as failure to seize the received collateral in time or not being able to convert it into cash, refusal or delay of payment by the guarantor, failure of credit documents whose legal validity has not been sufficiently investigated to achieve the desired legal result.

Transactions carried out by the Bank within the scope of market risk are not subject to collateral.

Financial collaterals are taken into consideration in credit risk mitigation in the Bank, and real estate mortgages are not considered as collateral as a rule. Mortgage-backed receivables are a separate risk class, and the financial collaterals used in the Bank consist of cash blockage, loan guarantee fund and assignment of arising public receivables.

##### b) Credit risk mitigation techniques – Overview

Current Period 31.12.2020	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans (*)	36,296.201	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Debt Securities (*)	6.895.629	-	-	-	-	-	-
<b>Total</b>	<b>43.191.830</b>	<b>5.910.209</b>	<b>4.717.707</b>	<b>4.924.960</b>	<b>4.189.451</b>	<b>-</b>	<b>-</b>
Of which defaulted (*)	1.152.871	-	-	-	-	-	-

(\*) Based on the BRSA's letter dated 08.12.2020 on "Extension of the Period of Pandemic Measures", the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was used in the calculation of the Amount Subject to Credit Risk. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TL 1.128.770 thousand in "Loans", TL 58.371 thousand in "Debt Instruments" and TL 28.187 thousand in "Default" class.

Period 31.12.2019	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	27.117.320	1.873.864	1.250.795	1.280.636	808.337	-	-
Debt Securities	2.927.015	-	-	-	-	-	-
<b>Total</b>	<b>30.044.335</b>	<b>1.873.864</b>	<b>1.250.795</b>	<b>1.280.636</b>	<b>808.337</b>	<b>-</b>	<b>-</b>
Of which defaulted	675.282	-	-	-	-	-	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach

##### a) Qualitative explanations to be made about the rating grades used by banks when calculating credit risk with a standard approach

The Parent Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments, and Receivables from Administrative Units and Non-Commercial Enterprises. Receivables from Banks in the risk class, Fitch Ratings notes are used for Receivables from Resident Banks, and no rating agency notes are used for receivables from domestic resident Banks. While our Country grade used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, the notes used in the Receivables from Banks and Intermediary Institutions risk class are from 1 to 6 matched with credit quality tiers.

##### b) Standard Approach - Loan risk exposure and the effects of loan risk reduction technique

	Current Period 31.12.2020	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	RWA amount	RWA density amount
	Risk Classes						
1	Exposures to sovereigns and their central banks	8.707.427	-	12.870.880	23.363	-	0%
2	Exposures to regional and local governments	-	-	25.999	5.815	15.907	50%
3	Exposures to administrative bodies and non-commercial entities	264.828	5.784	264.828	2.858	266.044	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	5.024.106	62.368	5.024.106	44.399	1.025.480	20%
7	Exposures to corporates	16.970.986	12.490.186	15.275.823	8.613.143	23.153.759	97%
8	Retail exposures	5.076.333	2.581.421	2.582.045	1.244.087	2.746.074	72%
9	Exposures secured by residential property	2.624.630	47.664	2.624.630	25.720	927.622	35%
10	Exposures secured by commercial property	1.481.948	402.902	1.481.948	237.202	859.575	50%
11	Past-due items	258.567	-	258.567	-	174.139	67%
12	Exposures in high-risk categories	104.158	-	104.158	-	156.237	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	584.743	-	584.743	-	325.774	56%
17	Equity share investments	-	-	-	-	-	0%
18	Total	41.097.726	15.590.325	41.097.727	10.196.587	29.650.611	58%

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Credit Risk Explanations (Continued)

	Prior Period 31.12.2019	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	On-balance sheet amount	RWA amount	RWA density amount
	Risk Classes						
1	Exposures to sovereigns and their central banks	4.559.048	-	5.334.261	36.491	575.422	%11
2	Exposures to regional and local governments	-	-	33.126	4.978	19.052	%50
3	Exposures to administrative bodies and non-commercial entities	26.537	3.459	26.536	1.699	28.096	%100
4	Exposures to multilateral development banks	-	-	-	-	-	%0
5	Exposures to international organizations	-	-	-	-	-	%0
6	Exposures to banks and brokerage houses	4.194.333	57.053	4.194.332	31.917	1.215.161	%29
7	Exposures to corporates	11.565.094	8.812.943	11.159.498	6.088.935	16.649.558	%97
8	Retail exposures	2.245.181	2.377.277	1.842.440	1.219.227	2.214.229	%72
9	Exposures secured by residential property	1.375.833	57.934	1.375.834	40.101	495.577	%35
10	Exposures secured by commercial property	868.529	288.347	868.528	202.987	535.758	%50
11	Past-due items	202.276	-	202.276	-	152.213	%75
12	Exposures in high-risk categories	41.924	3.577	41.923	3.577	68.250	%150
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	%0
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	%0
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	%0
16	Other exposures	765.741	-	765.741	-	347.013	%45
17	Equity share investments	-	-	-	-	-	%0
18	Total	25.844.496	11.600.590	25.844.495	7.629.912	22.300.329	%67

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach (Continued)

##### c) Standard Approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/ Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% <sup>(*)</sup>	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	12.894.243	-	-	-	-	-	-	-	-	-	-	12.894.243
Exposures to regional and local government	-	-	-	-	-	31.814	-	-	-	-	-	31.814
Exposures to administrative bodies and non-commercial entities	1.542	-	-	-	-	-	-	266.144	-	-	-	267.686
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	5.029.242	-	-	39.263	-	-	-	-	-	5.068.505
Exposures to corporates	152.069	-	395.853	-	-	532.912	-	22.808.132	-	-	-	23.888.966
Retail exposures	87.286	-	105.564	-	-	-	3.633.282	-	-	-	-	3.826.132
Exposures secured by residential property	-	-	-	2.650.350	-	-	-	-	-	-	-	2.650.350
Exposures secured by commercial property	-	-	-	-	1.719.150	-	-	-	-	-	-	1.719.150
Past-due items	112	-	72	-	-	168.517	-	89.866	-	-	-	258.567
Exposures in high-risk categories	-	-	-	-	-	-	-	-	104.158	-	-	104.158
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	259.071	-	-	-	-	-	-	325.772	-	-	-	584.743
<b>Total</b>	<b>13.394.323</b>	<b>-</b>	<b>5.530.731</b>	<b>2.650.350</b>	<b>1.719.150</b>	<b>772.506</b>	<b>3.633.282</b>	<b>23.489.914</b>	<b>104.158</b>	<b>-</b>	<b>-</b>	<b>51.294.314</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Credit Risk Explanations (Continued)

##### 3.3) Qualitative explanations on ratings used by banks while calculating credit risk with standard approach (Continued)

##### c) Standard Approach: Receivables related with risk classes and risk weights (Continued)

Prior Period Risk Classes/ Risk Weight	0%	10%	20%	35% secured by property mortgage	50% secured by property mortgage	50% <sup>(*)</sup>	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	4.219.908	-	-	-	-	1.150.844	-	-	-	-	-	5.370.752
Exposures to regional and local government	-	-	-	-	-	38.104	-	-	-	-	-	38.104
Exposures to administrative bodies and non-commercial entities	139	-	-	-	-	-	-	28.096	-	-	-	28.235
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	2.998.347	-	-	1.224.820	-	3.082	-	-	-	4.226.249
Exposures to corporates	-	98.254	-	-	258.881	-	16.500.467	-	-	-	17.248.433	-
Retail exposures	-	34.821	-	-	2.193	2.941.558	-	-	-	-	3.061.667	-
Exposures secured by residential property	-	-	-	1.415.935	-	-	-	-	-	-	-	1.415.935
Exposures secured by commercial property	-	-	-	-	1.071.515	-	-	-	-	-	-	1.071.515
Past-due items	-	89	-	-	99.714	-	102.338	-	-	-	202.276	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	45.500	-	-	45.500
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	418.728	-	-	-	-	-	-	347.013	-	-	-	765.741
<b>Total</b>	<b>5.112.836</b>	<b>-</b>	<b>3.131.511</b>	<b>1.415.935</b>	<b>1.071.515</b>	<b>2.774.556</b>	<b>2.941.558</b>	<b>16.980.996</b>	<b>45.500</b>	<b>-</b>	<b>-</b>	<b>33.474.407</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**X. EXPLANATIONS ON RISK PROTECTION PROCEDURES**

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations.

Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors.

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite.

In addition, derivative transactions are carried out at the Bank and FX and TL liquidity risk is limited by the transactions performed.

**1) Credit risk under IRB (Internal Rating Based) Approach**

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 31 March 2016, it is given annually and quarterly. The following required tables are not presented as of 31 December 2020 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

IRB - Credit risk amounts based on IRB and Portfolio and PoD (Probability of Default) range

IRB - Effect of credit derivatives used as CRM (Credit Risk Mitigation) technique on RWA (Risk Weighted Amounts)

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

IRB (Specialized loans and stock investments subject to basic risk weight approach)

**XI. COUNTERPARTY CREDIT RISK EXPLANATIONS**

**a) Qualitative explanations on counterparty credit risk**

In an attempt to identify the counter party credit risk that the Parent Bank may face, risk measurement and monitoring activities are performed and their results are considered in strategic decision-making process.

As part of the Parent Bank's counter party credit risk management, the functions of identification, measurement, monitoring and controlling of counter party credit risk are conducted in line with the structure, size, complexity and growth rate of products and activities, and the analysis, including stress test, and its results are reported to the Top Management.

It is essential that the Parent Bank manages the counterparty credit risk level in a manner that keeps it above the minimum limits specified in the legal regulations.

Parent Bank risk measurement system; it takes measures to operate in a reliable and integrity manner compatible with legal regulations, fields of activity and product types, and to maintain it accordingly. In this context, as a minimum, for counterparty credit risk measurement and monitoring activities; Calculation of counterparty credit risk weighted asset amount and legal capital requirement, and monitoring of the Bank's compliance level with regard to allocated limits are carried out.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS

##### b) Evaluation of counterparty credit risk in accordance with the measurement methods

	Current Period 31.12.2020	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	215.028	44.736		1,4	259.764	56.140
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.235.531	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>56.140</b>

(\*) Effective expected positive exposure

	Prior Period 31.12.2019	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	17.498	13.773		1,4	31.271	15.508
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					105.559	21.112
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	<b>Total</b>						<b>36.620</b>

(\*) Effective expected positive exposure

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**XI. COUNTERPARTY CREDIT RISK EXPLANATIONS**

**c) Capital requirement for loan valuation adjustment**

	<b>Current Period 31.12.2020</b>	<b>Exposure at default post-CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	259.764	74.875
4	<b>Total subject to the CVA capital charge</b>	<b>259.764</b>	<b>74.875</b>

	<b>Prior Period 31.12.2019</b>	<b>Exposure at default post-CRM</b>	<b>RWA</b>
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	31.271	8.850
4	<b>Total subject to the CVA capital charge</b>	<b>31.271</b>	<b>8.850</b>

**d) Standard Approach: Receivables related with risk classes and risk weights**

<b>Risk weight /Regulatory portfolio (Current Period)</b>	<b>0%</b>	<b>10%</b>	<b>20%</b>	<b>50%</b>	<b>%75%</b>	<b>100%</b>	<b>150%</b>	<b>Other</b>	<b>Total credit exposure<sup>(*)</sup></b>
Exposures to sovereigns and their central banks	2.235.531	-	195.301	-	-	-	-	-	39.060
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	53.111	10.132	-	-	-	-	15.688
Exposures to corporates	-	-	-	-	-	877	-	-	877
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	343	-	515
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	<b>2.235.531</b>	<b>-</b>	<b>248.412</b>	<b>10.132</b>	<b>-</b>	<b>877</b>	<b>343</b>	<b>-</b>	<b>56.140</b>

<sup>(\*)</sup> Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

##### d) Standard Approach: Receivables related with risk classes and risk weights (Continued)

Risk weight /Regulatory portfolio (Prior Period)	0%	10%	20%	50%	%75%	100%	150%	Other	Total credit exposure <sup>(*)</sup>
Exposures to sovereigns and their central banks	-	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	106.083	30.688	-	-	-	-	36.561
Exposures to corporates	-	-	-	-	-	58	-	-	58
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
<b>Total <sup>(*)</sup></b>	-	-	<b>106.083</b>	<b>30.688</b>	-	<b>58</b>	-	-	<b>36.619</b>

(\*) Total credit exposure: the amount relevant for the capital requirements calculation, having applied CRM techniques.

##### e) Risk classes and counterparty credit risk explanation

None.

##### f) Collaterals for CCR

Current Period 31.12.2020	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	2.079.285	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securitiyes	-	-	-	-	-	-
Other collateral	-	-	-	-	-	2.235.531
<b>Total</b>	-	-	-	-	<b>2.079.285</b>	<b>2.235.531</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

##### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

###### f) Collaterals for CCR (Continued)

Prior Period 31.12.2019	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	19.135	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	105.559
<b>Total</b>	-	-	-	-	<b>19.135</b>	<b>105.559</b>

###### g) Credit Derivatives

None.

###### h) Risk Weight changes under CCR on the Internal Modeling Management Methods

None.

###### i) Risks Related with Central Counterparties

None.

##### 5. Explanations on Securitization Disclosure

The Bank does not have any securitization positions as of 31 December 2020. (31 December 2020: None).

##### 6. Explanations on Market Risk

###### a) Qualitative information about market risk to be disclosed to the public

Within the framework of BRSA's regulations, the Parent Bank ensures effective management of market risk and market concentration risk arising from market risk components, in accordance with the volume, nature and complexity of its activities, taking into account the best practices.

The Parent Bank ensures that measurement, monitoring, limitation, stress test and scenario analysis studies are carried out in accordance with the structure and complexity of its positions regarding market risk management and the results are reported. It is essential that new products and services are evaluated in terms of market risk.

In this context, as a minimum;

- Follow-up of the Parent Bank's accounts and positions subject to market risk and market developments affecting the value of these accounts and positions on a minimum daily basis,
- Amount calculations based on market risk to which the Bank is exposed within the framework of trading accounts,
- Analysis of the effects of up and down normal and extraordinary movements in the markets on the Bank's accounts and positions subject to market risk,
- Backtest analysis of internal models used for monitoring purposes in calculating the amount subject to market risk,
- Regarding market risk, risk limits are regularly calculated and followed up.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### XI. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

##### 6. Explanations on Market Risk (Continued)

##### a) Qualitative information about market risk to be disclosed to the public (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 31.12.2020	Prior Period 31.12.2019
		RWA	RWA
	<b>Outright products</b>		
1	Interest rate risk (general and specific)	118.100	7.025
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	172.559	176.545
4	Commodity risk	-	-
	<b>Options</b>		
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	<b>Total</b>	<b>290.659</b>	<b>183.570</b>

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the "Communiqué on the Public Disclosures on Risk Management by Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 31 December 2020, as the standard approach is used in the Bank's market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach  
Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach  
Internal model approach for trading account  
Comparison of VaR (Value at Risk) estimates with profit / loss

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### XI. COUNTERPARTY CREDIT RISK 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.

	31.12.2017	31.12.2018	31.12.2019	Total/Number of Positive GI years	Ratio (%)	Total
Gross Income	482.004	892.243	1.556.512	976.920	15	146.538
Amount Subject to Operational Risk	-	-	-	-	-	1.831.724

#### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group is determined in line with TFRS 8 "Turkish Accounting Standard about Operating Segments".

The Bank operates in retail, corporate / entrepreneurial banking, treasury / investment banking.

##### Table for Segment Reporting:

Current Period 1 January - 31 December 2020	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>381.619</b>	<b>2.757.088</b>	<b>656.569</b>	<b>396.069</b>	<b>4.191.345</b>
Profit Shares from Loans	381.619	2.757.088	-	-	3.138.707
Profit Shares from Banks	-	-	23.995	-	23.995
Profit Shares from Securities	-	-	608.569	-	608.569
Other Profit Shares	-	-	24.005	396.069	420.074
<b>Profit Shares Expense</b>	<b>(663.913)</b>	<b>(844.970)</b>	<b>(589.826)</b>	<b>(24.098)</b>	<b>(2.122.807)</b>
Profit Shares Expense on Participation Funds	(663.913)	(844.970)	(14)	-	(1.508.897)
Profit Shares Expense on Funds Borrowed	-	-	(199.072)	-	(199.072)
Profit Shares Expense on Money Market Transactions	-	-	(63.603)	-	(63.603)
Profit Shares Expense on Securities Issued	-	-	(327.137)	-	(327.137)
Other Profit Shares Expense	-	-	-	(24.098)	(24.098)
<b>Net Profit Shares Income/Expense</b>	<b>(282.294)</b>	<b>1.912.118</b>	<b>66.743</b>	<b>371.971</b>	<b>2.068.538</b>
<b>Net Fees and Commission Income/Expense</b>	<b>12.750</b>	<b>111.337</b>	<b>-</b>	<b>(31.546)</b>	<b>92.541</b>
Fees and Commissions Received	12.750	111.337	-	80.561	204.648
Fees and Commissions Paid	-	-	-	(112.107)	(112.107)
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>104</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>83.310</b>	<b>-</b>	<b>83.310</b>
<b>Other Operating Income</b>	<b>-</b>	<b>343</b>	<b>-</b>	<b>267.801</b>	<b>268.144</b>
<b>Provision for Expected Losses</b>	<b>(104.292)</b>	<b>(781.660)</b>	<b>-</b>	<b>(108.261)</b>	<b>(994.213)</b>
<b>Other Provision Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(173.855)</b>	<b>(173.855)</b>
<b>Personnel Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(235.155)</b>	<b>(235.155)</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>4.959</b>	<b>-</b>	<b>(311.973)</b>	<b>(316.932)</b>
<b>Net Operating Profit/Loss</b>	<b>(373.836)</b>	<b>1.237.179</b>	<b>150.157</b>	<b>(221.018)</b>	<b>792.482</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(153.920)</b>	<b>(153.920)</b>
<b>Net Profit/Loss</b>	<b>(373.836)</b>	<b>1.237.179</b>	<b>150.157</b>	<b>(374.938)</b>	<b>638.562</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L Banks <sup>(*)</sup>	-	-	980.872	-	980.872
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	4.799.686	-	4.799.686
Loans <sup>(**)</sup>	4.850.077	36.350.940	5.145.732	-	5.145.732
Financial Assets Measured at Amortised Cost	-	-	1.005.393	-	42.206.410
Derivative Financial Assets	-	-	779.437	-	779.437
Partnership Investment	-	-	28.253	-	28.253
Other Assets <sup>(*)</sup>	-	-	-	-	-
<b>Total Segment Assets</b>	<b>4.850.077</b>	<b>36.350.940</b>	<b>12.739.373</b>	<b>6.246.506</b>	<b>60.186.896</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	18.467.116	27.918.934	-	-	46.386.050
Derivative Financial Liabilities	-	-	19.440	-	19.440
Funds Borrowed	-	-	1.426.614	-	1.426.614
Money Market Funds	-	-	2.101.073	-	2.101.073
Securities Issued (Net)	-	-	4.017.250	-	4.017.250
Provisions	-	-	-	409.244	409.244
Other Liabilities	-	-	-	2.092.952	2.092.952
Shareholders' Equity	-	-	-	3.734.273	3.734.273
<b>Total Segment Liabilities</b>	<b>18.467.116</b>	<b>27.918.934</b>	<b>7.564.377</b>	<b>6.236.469</b>	<b>60.186.896</b>

(\*) Includes expected loss provisions.

(\*\*) Includes lease receivables.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### XII. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period 1 January - 31 December 2019	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
<b>OPERATING INCOME/EXPENSE</b>					
<b>Profit Shares Income</b>	<b>218.165</b>	<b>2.676.438</b>	<b>285.444</b>	<b>414.410</b>	<b>3.594.457</b>
Profit Shares from Loans	218.165	2.676.438	-	-	2.894.603
Profit Shares from Banks	-	-	574	-	574
Profit Shares from Securities	-	-	245.733	-	245.733
Other Profit Shares	-	-	39.137	414.410	453.547
<b>Profit Shares Expense</b>	<b>(817.982)</b>	<b>(705.564)</b>	<b>(681.355)</b>	<b>(20.631)</b>	<b>(2.225.532)</b>
Profit Shares Expense on Participation Funds	(817.982)	(705.564)	(5.296)	-	(1.528.842)
Profit Shares Expense on Funds Borrowed	-	-	(272.658)	-	(272.658)
Profit Shares Expense on Money Market Transactions	-	-	(12.323)	-	(12.323)
Profit Shares Expense on Securities Issued	-	-	(391.078)	-	(391.078)
Other Profit Shares Expense	-	-	-	(20.631)	(20.631)
<b>Net Profit Shares Income/Expense</b>	<b>(599.817)</b>	<b>1.970.874</b>	<b>(395.911)</b>	<b>393.779</b>	<b>1.368.925</b>
<b>Net Fees and Commission Income/Expense</b>	<b>16.937</b>	<b>114.436</b>	<b>-</b>	<b>(36.921)</b>	<b>94.452</b>
Fees and Commissions Received	16.937	114.436	-	11.952	143.325
Fees and Commissions Paid	-	-	-	(48.873)	(48.873)
<b>Dividend Income</b>	<b>-</b>	<b>-</b>	<b>17.762</b>	<b>-</b>	<b>17.762</b>
<b>Trading Income/Loss (Net)</b>	<b>-</b>	<b>-</b>	<b>69.478</b>	<b>-</b>	<b>69.478</b>
<b>Other Operating Income</b>	<b>-</b>	<b>431</b>	<b>-</b>	<b>158.577</b>	<b>159.008</b>
<b>Provision for Expected Losses</b>	<b>(39.535)</b>	<b>(394.513)</b>	<b>-</b>	<b>(58.123)</b>	<b>(492.171)</b>
<b>Other Provision Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(87.244)</b>	<b>(87.244)</b>
<b>Personnel Expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(183.767)</b>	<b>(183.767)</b>
<b>Other Operating Expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(241.143)</b>	<b>(241.143)</b>
<b>Net Operating Profit/Loss</b>	<b>(622.415)</b>	<b>1.691.228</b>	<b>(308.671)</b>	<b>(54.842)</b>	<b>705.300</b>
<b>Tax Provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(188.565)</b>	<b>(188.565)</b>
<b>Net Profit/Loss</b>	<b>(622.415)</b>	<b>1.691.228</b>	<b>(308.671)</b>	<b>(243.407)</b>	<b>516.735</b>
<b>SEGMENT ASSETS</b>					
Financial Assets at FV Through P/L Banks <sup>(*)</sup>	-	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	2.386.937	-	2.386.937
Loans <sup>(*)</sup> <sup>(**)</sup>	2.159.061	21.671.460	5.160.663	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	547.750	-	547.750
Derivative Financial Assets	-	-	17.496	-	17.496
Partnership Investment	-	-	-	-	-
Other Assets <sup>(*)</sup>	-	-	-	3.532.424	3.532.424
<b>Total Segment Assets</b>	<b>2.159.061</b>	<b>21.671.460</b>	<b>9.029.129</b>	<b>3.532.424</b>	<b>36.392.074</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	15.884.116	9.573.029	-	-	25.457.145
Derivative Financial Liabilities	-	-	12.479	-	12.479
Funds Borrowed	-	-	3.495.671	-	3.495.671
Money Market Funds	-	-	19.135	-	19.135
Securities Issued (Net)	-	-	2.482.999	-	2.482.999
Provisions	-	-	-	235.279	235.279
Other Liabilities	-	-	-	1.522.538	1.522.538
Shareholders' Equity	-	-	-	3.166.828	3.166.828
<b>Total Segment Liabilities</b>	<b>15.884.116</b>	<b>9.573.029</b>	<b>6.010.284</b>	<b>4.924.645</b>	<b>36.392.074</b>

<sup>(\*)</sup> Includes expected loss provisions.

<sup>(\*\*)</sup> Includes lease receivables.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES

##### a) Information regarding the fair value of financial assets and liabilities:

Current Period 31.12.2020	Book Value	Fair Value
<b>Financial Assets</b>	<b>52.931.347</b>	<b>52.931.347</b>
Due from Interbank Money Market	-	-
Banks	4.799.768	4.799.768
Financial Assets Measured at Fair Value Through Other Comprehensive Income	5.145.732	5.145.732
Financial Assets Measured at Amortised Cost	779.437	779.437
Loans	42.206.410	42.206.410
<b>Financial Liabilities</b>	<b>52.152.860</b>	<b>52.152.860</b>
Bank Deposits	4.561.895	4.561.895
Other Deposits	41.824.155	41.824.155
Funds Borrowed from Other Financial Institutions	1.426.614	1.426.614
Issued Marketable Securities	4.017.250	4.017.250
Miscellaneous Payables	322.946	322.946

Prior Period 31.12.2019	Book Value	Fair Value
<b>Financial Assets</b>	<b>32.842.289</b>	<b>32.842.289</b>
Due from Interbank Money Market	-	-
Banks	916.418	916.418
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.386.937	2.386.937
Financial Assets Measured at Amortised Cost	547.750	547.750
Loans	28.991.184	28.991.184
<b>Financial Liabilities</b>	<b>31.595.127</b>	<b>31.595.127</b>
Bank Deposits	123	123
Other Deposits	25.457.022	25.457.022
Funds Borrowed from Other Financial Institutions	3.495.671	3.495.671
Issued Marketable Securities	2.482.999	2.482.999
Miscellaneous Payables	159.312	159.312

Receivables from money markets, receivables from banks and bank deposits are of short term nature, therefore carrying values are considered as fair value.

In determination of book and fair value of available-for-sale securities, market prices are taken into consideration. If these securities are not traded in an active market, the indicator prices calculated by CBRT are taken into account.

The fair value of loans and other deposits represent the sum of the cost and the accrued interest.

##### 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 2020**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (Continued)****XIII. EXPLANATIONS ON THE FAIR VALUE REALIZATION OF FINANCIAL ASSETS AND LIABILITIES**

<b>Current Period 31.12.2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	-	<b>980.872</b>	-	<b>980.872</b>
Government Debt Securities	-	-	-	-
Marketable Securities	-	-	-	-
Other Marketable Securities	-	980.872	-	980.872
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>3.756.955</b>	<b>1.378.365</b>	<b>10.412</b>	<b>5.145.732</b>
Marketable Securities	-	-	10.412	10.412
Government Debt Securities	-	-	-	-
Other Marketable Securities	3.756.955	1.378.365	-	5.135.320
<b>Derivative Financial Assets</b>	-	<b>28.253</b>	-	<b>28.253</b>
<b>Total Assets</b>	<b>3.756.955</b>	<b>2.387.490</b>	<b>10.412</b>	<b>6.154.857</b>
<b>Derivative Financial Liabilities</b>	-	19.440	-	19.440
<b>Total Liabilities</b>	-	<b>19.440</b>	-	<b>19.440</b>

<b>Prior Period 31.12.2019</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets at Fair Value Through Profit or (Loss)</b>	-	-	-	-
Government Debt Securities	-	-	-	-
Marketable Securities	-	-	-	-
Other Marketable Securities	-	-	-	-
<b>Financial Assets at Fair Value Through Other Comprehensive Income</b>	<b>2.077.548</b>	<b>301.717</b>	<b>7.672</b>	<b>2.386.937</b>
Marketable Securities	-	-	7.672	7.672
Government Debt Securities	-	-	-	-
Other Marketable Securities	2.077.548	301.717	-	2.379.265
<b>Derivative Financial Assets</b>	-	<b>17.496</b>	-	<b>17.496</b>
<b>Total Assets</b>	<b>2.077.548</b>	<b>319.213</b>	<b>7.672</b>	<b>2.404.433</b>
<b>Derivative Financial Liabilities</b>	-	12.479	-	12.479
<b>Total Liabilities</b>	-	<b>12.479</b>	-	<b>12.479</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

#### I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

##### 1.a) Information on cash and balances with Central Bank of the Republic of Turkey

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Cash /Foreign Currency	34.139	185.722	28.617	50.616
Central Bank of the Republic of Turkey(*)	375.440	4.821.782	71.522	2.404.187
Other	-	60.037	-	339.497
<b>Total</b>	<b>409.579</b>	<b>5.067.541</b>	<b>100.139</b>	<b>2.794.300</b>

(\*) According to the letter of BRSA dated 3 January 2008, it includes the average TL required reserve balance.

##### 1.a.1) Information on Required Reserves

According to the CBRT's Communiqué No: 2013/15 on Required Reserves, the Bank establishes a reserve requirement at the CBRT for Turkish currency and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" at the CBRT.

As of 31 December 2020, the valid rates for required reserves at the CBRT are between 1% and 6% for Turkish currency deposits and other liabilities (31 December 2019: 1%-7%); for foreign currency deposits and for foreign currency other liabilities is between 5% and 22% (31 December 2019:5% - 21%).

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Unrestricted Demand Deposit	363.240	8	38	6
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (*)	12.200	4.821.774	71.484	2.404.181
<b>Total</b>	<b>375.440</b>	<b>4.821.782</b>	<b>71.522</b>	<b>2.404.187</b>

(\*) TL904.016 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2019: TL180.501).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Banks				
Domestic Banks	12.394	3.688.774	5.205	332.276
Foreign Banks	-	1.098.600	-	578.937
Foreign Head Office and Branches	-	-	-	-
<b>Total</b>	<b>12.394</b>	<b>4.787.374</b>	<b>5.205</b>	<b>911.213</b>

###### Information on foreign banks account

	Unrestricted Amount		Restricted Amount	
	Current Period 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020	Prior Period 31.12.2019
European Countries	920.314	263.313	-	-
USA, Canada	47.203	305.303	-	-
OECD Countries	14.483	4.550	-	-
Off-Shore Banking Regions	-	-	-	-
Other	62.716	5.771	53.884	-
<b>Total</b>	<b>1.044.716</b>	<b>578.937</b>	<b>53.884</b>	<b>-</b>

###### 3. a) Explanation regarding the comparison of net values of financial assets through other comprehensive income available-for-sale given or blocked as collateral and subject to repurchase agreements

	Current Period 31.12.2020	Prior Period 31.12.2019
Assets Subject to Repurchase Agreements	2.145.367	16.497
Assets Blocked/Given as Collateral	147.536	84.643
<b>Total (*)</b>	<b>2.292.903</b>	<b>101.140</b>

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

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Debt Securities	5.282.808	2.380.681
Quoted in Stock Exchange	3.904.444	2.078.312
Not Quoted in Stock Exchange	1.378.364	302.369
Share Certificates	10.412	7.672
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	10.412	7.672
Provision for Impairment (-)(**)	147.488	1.416
<b>Total</b>	<b>5.145.732</b>	<b>2.386.937</b>

(\*) The aforementioned amounts consist of TL 2.753, TL 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2.86% and are shown in the line that is not traded in the stock exchange (31 December 2019: TL 7.672 Credit Guarantee Fund).

(\*\*) Includes negative differences between the acquisition costs of financial assets and market prices.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

###### 4. Financial assets at fair value through profit or loss

	Current Period 31.12.2020	Prior Period 31.12.2019
Financial Assets at Fair Value Through Profit / Loss	808.723	-
Other Dividends and Income Rediscounts	187.229	-
Provision for Impairment (-)	(15.080)	-
<b>Total</b>	<b>980.872</b>	<b>-</b>

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

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward Transactions	889	-	27	17.469
Swap Transactions	27.215	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	140	9	-	-
<b>Total</b>	<b>28.244</b>	<b>9</b>	<b>27</b>	<b>17.469</b>

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

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	540	-	3.097.903	-
Corporate Shareholders	540	-	3.097.903	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	5.804	-	2.372	-
<b>Total (*)</b>	<b>6.344</b>	<b>-</b>	<b>3.100.275</b>	<b>-</b>

(\*) Includes rediscount amounts.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****b) Information on the first and second group loans and other receivables including restructured loans**

<b>Current Period 31.12.2020</b>				
	<b>Standard Loans and Other Receivables</b>	<b>Loans Under Close Monitoring</b>		
		<b>Not Under the Scope of Restructuring</b>	<b>Restructured or Rescheduled</b>	
<b>Cash Loans</b>			<b>Loans with revised contract terms</b>	<b>Refinancing</b>
Loans (*)	35.213.881	486.490	-	<b>668.893</b>
Export Loans	2.814.464	4.080	-	-
Import Loans	63.885	-	-	-
Commercial Loans	24.477.947	406.370	-	668.893
Consumer Loans	4.810.580	7.259	-	-
Credit Cards	4.591	10	-	-
Loans Given to Financial Sector	960.141	-	-	-
Other (**)	2.082.273	68.771	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	613.567	16.823	-	42.705
<b>Total</b>	<b>35.827.448</b>	<b>503.313</b>	-	<b>711.598</b>

(\*) Related amounts do not include finance lease receivables

(\*\*) As of 31 December 2020, TL 33.033 (31 December 2019: TL 21.034) of the relevant balance consists of funds made available through the müşareke partnership financing method. By means of this financing method, the Bank has signed a shareholding agreement in 2019 for two companies in different sectors, and has provided fixed negotiation müşareke financing for one company in 2019 as a founding partner.

In the financing partnership agreements established with this method, it is obligatory to include the rights and obligations of the parties, especially the management of the partnership to which the capital is participated, and in accordance with the "Regulation on Amendments to the Regulation on Credit Transactions of Banks" published in the Official Gazette dated 25 December 2019 and numbered 30666 there is a requirement that the shares be disposed of within seven years. This requirement may be extended with the permission of the BRSA, if the Bank applies to the BRSA with the relevant documents.

As of 31 December the Bank has accounted these fixed müşareke financing loans, which it carries in the statement of financial position, at historical cost in accordance with the Article 2/3/1 of Interest-Free Finance Accounting Standard 4: Müşar Financing "FFMS 4".

<b>Prior Period 31.12.2019</b>				
	<b>Standard Loans and Other Receivables</b>	<b>Loans Under Close Monitoring</b>		
		<b>Not Under the Scope of Restructuring</b>	<b>Restructured or Rescheduled</b>	
<b>Cash Loans</b>			<b>Loans with revised contract terms</b>	<b>Refinancing</b>
Loans	23.409.267	550.499	-	749.829
Export Loans	1.226.789	55.944	-	-
Import Loans	85.536	-	-	-
Commercial Loans	13.668.959	401.691	-	748.347
Consumer Loans	2.149.003	8.576	-	1.482
Credit Cards	-	-	-	-
Loans Given to Financial Sector	5.160.663	-	-	-
Other	1.118.317	84.288	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	425.989	44.146	-	53.652
<b>Total</b>	<b>23.835.256</b>	<b>594.645</b>	-	<b>803.481</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

##### b) Information on the first and second group loans and other receivables including restructured loans (Continued)

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
<b>Expected Credit Loss of Stage 1 and Stage 2</b>				
12 Month Expected Credit Losses	128.318	-	49.451	-
Significant Increase in Credit Risk	-	236.065	-	56.622

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
<b>No. of extensions</b>				
1 or 2 Times Extended	193.975	668.893	-	803.481
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
<b>Total</b>	<b>193.975</b>	<b>668.893</b>	<b>-</b>	<b>803.481</b>

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
<b>Extension Periods</b>				
0 - 6 Months	-	24.485	-	57
6 Months - 12 Months	109.355	241.825	-	6.952
1 - 2 Years	33.198	153.176	-	352.578
2 - 5 Years	1.229	2.369	-	334.045
5 Years and Over	50.193	247.038	-	109.849
<b>Total</b>	<b>193.975</b>	<b>668.893</b>	<b>-</b>	<b>803.481</b>

##### c) Loans According to maturity structure

Current Period 31.12.2020			
	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	7.513.548	300.792	12.567
Medium and Long-term Loans	27.700.333	185.698	656.326
<b>Total</b>	<b>35.213.881</b>	<b>486.490</b>	<b>668.893</b>

Prior Period 31.12.2019			
	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Loans Not Subject to Restructuring	Restructured
Short-term Loans	10.937.943	32.480	43.376
Medium and Long-term Loans	12.471.324	518.019	760.105
<b>Total</b>	<b>23.409.267</b>	<b>550.499</b>	<b>803.481</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

<b>Current Period 31.12.2020</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans - TL</b>	<b>32.041</b>	<b>4.780.664</b>	<b>4.812.705</b>
Housing Loans	2.229	4.474.142	4.476.371
Vehicle Loans	1.093	171.567	172.660
Consumer Loans	28.719	134.955	163.674
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>3.934</b>	<b>4</b>	<b>3.938</b>
With Installment	1.180	4	1.184
Without Installment	2.754	-	2.754
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>61</b>	<b>5.073</b>	<b>5.134</b>
Housing Loans	-	-	-
Vehicle Loans	-	89	89
Consumer Loans	61	4.984	5.045
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>655</b>	<b>8</b>	<b>663</b>
With Installment	112	7	119
Without Installment	543	1	544
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>36.691</b>	<b>4.785.749</b>	<b>4.822.440</b>

(\*) Profit share rediscount amounting to TL 47.414 is not included in the table.



**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards (Continued)**

<b>Prior Period 31.12.2019</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Consumer Loans - TL</b>	<b>4.690</b>	<b>2.152.010</b>	<b>2.156.700</b>
Housing Loans	748	1.975.401	1.976.149
Vehicle Loans	2.987	100.020	103.007
Consumer Loans	955	76.589	77.544
Other	-	-	-
<b>Consumer Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Loans-TL</b>	<b>112</b>	<b>2.249</b>	<b>2.361</b>
Housing Loans	-	95	95
Vehicle Loans	-	92	92
Consumer Loans	112	2.062	2.174
Other	-	-	-
<b>Personnel Loans-FC Indexed</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total (*)</b>	<b>4.802</b>	<b>2.154.259</b>	<b>2.159.061</b>

(\*) Profit share rediscount amounting to TL 11.516 is not included in the table.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****e) Information on installment commercial loans and corporate credit cards**

<b>Current Period 31.12.2020</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment Commercial Loans-TL</b>	<b>120.795</b>	<b>531.124</b>	<b>651.919</b>
Business Loans	-	41.214	41.214
Vehicle Loans	107.336	489.910	597.246
Consumer Loans	13.459	-	13.459
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>2.943</b>	<b>2.943</b>
Business Loans	-	-	-
Vehicle Loans	-	2.943	2.943
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>-</b>	<b>23.550</b>	<b>23.550</b>
With Installment	-	-	-
Without Installment	-	23.550	23.550
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>120.795</b>	<b>557.617</b>	<b>678.412</b>

<b>Prior Period 31.12.2019</b>	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<b>Installment Commercial Loans-TL</b>	<b>43.631</b>	<b>249.623</b>	<b>293.254</b>
Business Loans	1.000	17.657	18.657
Vehicle Loans	42.631	231.966	274.597
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans-Indexed to FC</b>	<b>-</b>	<b>11.999</b>	<b>11.999</b>
Business Loans	-	-	-
Vehicle Loans	-	11.999	11.999
Consumer Loans	-	-	-
Other	-	-	-
<b>Installment Commercial Loans -FC</b>	<b>-</b>	<b>24.730</b>	<b>24.730</b>
With Installment	-	-	-
Without Installment	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Corporate Credit Cards -FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Legal Entity)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>43.631</b>	<b>286.352</b>	<b>329.983</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

###### f) Loans according to types of borrower:

	Current Period 31.12.2020	Prior Period 31.12.2019
Public	461.569	718.900
Private	35.907.695	23.990.695
Profit Share Income Accruals and Rediscounts	673.095	523.787
<b>Total *</b>	<b>37.042.359</b>	<b>25.233.382</b>

(\*) Financial lease receivables and non-performing loans are not included.

###### g) Breakdown of domestic and international loans

	Current Period 31.12.2020	Prior Period 31.12.2019
Domestic Loans	36.256.108	23.677.914
Foreign Loans	113.156	1.031.681
Profit Share Income Accruals and Rediscounts	673.095	523.787
<b>Total (*)</b>	<b>37.042.359</b>	<b>25.233.382</b>

(\*) Financial lease receivables and non-performing loans are not included.

###### h) Loans granted to subsidiaries and participations

As of 31 December 2020, the Bank has no loans granted to subsidiaries and participations (31 December 2019: None).

###### g) Provision for default (Stage 3/Specific Provision)

	Current Period 31.12.2020	Prior Period 31.12.2019
Loans and receivables with limited collectability	83.330	136.955
Loans and receivables with doubtful collectability	89.754	77.186
Uncollectible loans and other receivables	615.759	253.632
<b>Total</b>	<b>788.843</b>	<b>467.773</b>

###### i) Information on lease receivables

###### i.1) Analysis of investments made in financial leasing by remaining maturity

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	229.444	218.891	71.065	70.080
1-5 year	4.431.155	3.904.522	3.611.355	3.088.196
More than 5 years	1.262.735	1.012.806	860.343	498.090
<b>Total</b>	<b>5.923.334</b>	<b>5.136.219</b>	<b>4.542.763</b>	<b>3.656.366</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

###### i.2) Information on Net Investments Made in Financial Leasing

	Current Period 31.12.2020	Prior Period 31.12.2019
Gross Lease Receivable	5.923.334	4.542.763
Financial Income Unearned From Financial Leasing (-)	(787.115)	(886.397)
Canceled Rental Amounts	-	-
<b>Total</b>	<b>5.136.219</b>	<b>3.656.366</b>

###### j) Information on non-performing receivables (net)

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

As of 31 December 2020 the Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled amount TL13.039 (31 December 2019: TL29.542).

###### j.2) Information on the movement of total non-performing loans

	Group III Loans and other receivables with limited collectability	Group IV Loans and other receivables with doubtful collectability	Group V Uncollectible loans and other receivables
<b>Ending balance of prior period</b>	<b>155.555</b>	<b>195.532</b>	<b>324.195</b>
Additions in the current period (+)	454.803	230.798	240.742
Transfers from other categories of non-performing loans (+)	-	392.746	503.145
Transfers to other categories of non-performing loans (-)	392.746	503.145	-
Collections in the current period (-)	14.165	143.531	161.825
Write offs (-) <sup>(*)</sup>	-	-	101.046
Corporate and commercial loans	-	-	101.046
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
<b>Ending balance of the current period</b>	<b>203.447</b>	<b>172.400</b>	<b>805.211</b>
Expected Loss Provision (Stage 3) (-)	83.330	89.754	615.759
<b>Net balance on balance sheet</b>	<b>120.117</b>	<b>82.646</b>	<b>189.452</b>

<sup>(\*)</sup> A total of TL 101,046 receivables, which are followed in the accounts of non-collectible receivables, have been excluded from the unconsolidated and consolidated financial statements, respectively, based on the receivables transfer agreements dated December 1, 2020 and December 29, 2020, respectively, amounting to TL 89.382 and TL 11.664.

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

	Group III Allocated for Loans with Limited Collection	Group IV Allocated for Doubtful Loans	Group V Allocated for Loss Loans
<b>Current Period (*)</b>			
<b>Ending Balance</b>	<b>14.935</b>	<b>57.475</b>	<b>221.893</b>
Provision for Expected Loss (Stage 3) (-)	4.056	32.515	167.226
<b>Net Balance in the Balance Sheet</b>	<b>10.879</b>	<b>24.960</b>	<b>54.667</b>

<sup>(\*)</sup> As of 4 July 2020, Bank started to monitor its non-performing loans as FC, arising from FC loans.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****k) Gross and net amounts of non-performing receivables according to user groups**

	<b>Group III:</b>	<b>Group IV:</b>	<b>Group V:</b>
	<b>Loans and other receivables with limited collectability</b>	<b>Loans and other receivables with doubtful collectability</b>	<b>Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>120.117</b>	<b>82.646</b>	<b>189.452</b>
Loans to Real Persons and Legal Entities (Gross)	203.447	172.400	805.211
Specific Provisions (-)	83.330	89.754	615.759
Loans to Real Persons and Legal Entities (Net)	120.117	82.646	189.452
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
<b>Prior Period (Net)</b>	<b>18.600</b>	<b>118.346</b>	<b>70.563</b>
Loans to Real Persons and Legal Entities (Gross)	155.555	195.532	324.195
Specific Provisions (-)	136.955	77.186	253.632
Loans to Real Persons and Legal Entities (Net)	18.600	118.346	70.563
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

**Information on accruals, valuation differences and related provisions calculated for non performing loans for Banks which are providing expected credit loss according to TFRS 9:**

	<b>Group III:</b>	<b>Group IV:</b>	<b>Group V:</b>
<b>Current Period 31.12.2020</b>	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
Profit Share Accrual and Valuation Differences Provision	9.402	17.192	74.182
Provision Amount (-)	3.994	8.714	60.296

	<b>Group III:</b>	<b>Group IV:</b>	<b>Group V:</b>
<b>Prior Period 31.12.2019</b>	<b>Loans with limited collectability</b>	<b>Loans with doubtful collectability</b>	<b>Uncollectible loans</b>
Profit Share Accrual and Valuation Differences Provision	3.951	6.233	39.915
Provision Amount (-)	1.748	3.746	28.626

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>49.467</b>	<b>56.606</b>	<b>467.773</b>	<b>573.846</b>
Addition	85.387	216.872	417.298	719.557
Disposals (-)	(11.713)	(19.694)	(7.725)	(39.132)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	6.103	(6.103)	-	-
Transfer to Stage 2	(915)	5.937	(5.022)	-
Transfer to Stage 3	(11)	(17.553)	17.564	-
<b>Balance at the Closing of the Period</b>	<b>128.318</b>	<b>236.065</b>	<b>788.843</b>	<b>1.153.226</b>

	Prior Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>33.198</b>	<b>51.637</b>	<b>123.778</b>	<b>208.613</b>
Addition	29.469	49.937	879.332	958.738
Disposals (-)	(11.571)	(25.622)	(6.161)	43.354
Sold (-)	-	-	(445.643)	(445.643)
Deleted From Actual (-)	-	-	(104.508)	(104.508)
Transfer to Stage 1	1.027	(1.027)	-	-
Transfer to Stage 2	(1.965)	1.965	-	-
Transfer to Stage 3	(707)	(20.268)	20.975	-
<b>Balance at the Closing of the Period</b>	<b>49.451</b>	<b>56.622</b>	<b>467.773</b>	<b>573.846</b>

###### Cash loan changes according to TFRS 9

	Current Period 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the Beginning of the Period</b>	<b>26.765.484</b>	<b>2.124.264</b>	<b>675.282</b>	<b>29.565.030</b>
Addition	22.861.738	239.857	302.932	23.404.527
Disposals (-)	(9.131.240)	(257.645)	(119.991)	(9.508.876)
Sold (-)	-	-	(101.045)	(101.045)
Deleted From Actual (-)	-	-	-	-
Transfer to Stage 1	366.194	(366.194)	-	-
Transfer to Stage 2	(430.123)	445.945	(15.822)	-
Transfer to Stage 3	(5.179)	(434.523)	439.702	-
<b>Balance at the Closing of the Period</b>	<b>40.426.874</b>	<b>1.751.704</b>	<b>1.181.058</b>	<b>43.359.636</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at the Beginning of the Period	33.198	51.637	123.778	208.613
Addition	29.469	49.937	879.332	958.738
Disposals (-)	(11.571)	(25.622)	(6.161)	(43.354)
Sold (-)	-	-	(445.643)	(445.643)
Deleted From Actual (-)	-	-	(104.508)	(104.508)
Transfer to Stage 1	1.027	(1.027)	-	-
Transfer to Stage 2	(1.965)	1.965	-	-
Transfer to Stage 3	(707)	(20.268)	20.975	-
Balance at the Closing of the Period	49.451	56.622	467.773	573.846

###### l) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

###### m) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

##### 7. Financial assets at amortized cost

###### a) Information on government debt securities measured at amortized cost

	Current Period 31.12.2020	Prior Period 31.12.2019
Debt Securities (*)	779.437	547.750
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	779.437	547.750

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

###### b) Information on financial assets valued at amortized cost

None (31 December 2019: None).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

###### 7. Financial assets at amortized cost (Continued)

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

As of 31 December 2020, government debt securities measured at amortized cost of the Bank is TL779.437 (31 December 2019: TL547.750).

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2019</b>
Balances at Beginning of Period	547.750	-
Foreign Currency Differences on Monetary Assets	191.227	7.757
Purchases during the Period <sup>(*)</sup>	40.460	539.993
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	<b>779.437</b>	<b>547.750</b>

(\*) Rediscounts are shown in "Purchases during the Period" line.

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

As of 31 December 2020, the amount of assets due to trading is TL75.240 (31 December 2019: TL104.069).

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2019</b>
<b>Beginning Balance (Net)</b>	<b>104.069</b>	<b>4.259</b>
Changes During the Period (Net)	(28.829)	99.810
Amount of depreciation	-	-
Provision for Impairment	-	-
<b>Period End Balance (Net) <sup>(*)</sup></b>	<b>75.240</b>	<b>104.069</b>

(\*) The bank has a right of fidelity of over TL 57.817 (31 December 2019: 41.356) of assets held for sale.

As of 31 December 2020, the Bank has no discontinued operations (31 December 2019: None).

###### 9. Equity Investments

###### a) Information about investments in associates (net)

None (31 December 2019: None).



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

###### 9. Equity Investments (Continued)

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

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

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

	Total Assets	Shareholder s Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior Period Income/Loss	Fair Value	Needed Shareholder s Equity
1 <sup>(*)</sup>	4.013.981	167	-	327.137	-	95	5	-	-
2 <sup>(*)</sup>	3.587	83	-	2.248	-	22	21	-	-

(\*) Independently audited financial statements of 31 December 2020 are used.

	Current Period 31.12.2020	Prior Period 31.12.2019
Balance at the beginning of the year	100	100
Movements during the year	-	-
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment (-)	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

###### b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 31.12.2019	Prior Period 31.12.2019
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

###### b.3) Subsidiaries that are quoted on the stock exchange

As of 31 December 2020, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2019: None).

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

None (31 December 2019: None).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

###### 10. Explanations on property and equipment

	Immovables	Right of Use Immovables	Movable	Right of Use Movable	Operational Leasing Development Costs	Other Tangibles	Total
<b>Prior Period End:</b>							
Cost	-	113.603	71.139	14.072	42.500	-	241.314
Accumulated Depreciation (-)	-	20.376	36.939	4.111	22.291	-	83.717
<b>Net Book Value</b>	-	<b>93.227</b>	<b>34.200</b>	<b>9.961</b>	<b>20.209</b>	-	<b>157.597</b>
<b>Current Period End:</b>							
Net Book Value at the Beginning of the Period	-	93.227	34.200	9.961	20.209	-	157.597
Change During the Period (Net)	-	8.226	7.319	3.670	1.152	-	20.367
Cost	-	32.100	17.912	6.852	9.552	-	66.416
Amortization (Net) (-)	-	23.874	10.593	3.182	8.400	-	46.049
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	145.703	89.051	20.924	52.052	-	307.730
Accumulated Depreciation at Period End (-)	-	44.250	47.532	7.293	30.691	-	129.766
Provisions for losses	-	-	-	-	-	-	-
<b>Closing Net Book Value</b>	-	<b>101.453</b>	<b>41.519</b>	<b>13.631</b>	<b>21.361</b>	-	<b>177.964</b>

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None.

###### 11. Information on intangible assets

	Current Period 31.12.2020			Prior Period 31.12.2019		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	198.433	37.176	161.257	143.633	22.992	120.641
<b>Total</b>	<b>198.433</b>	<b>37.176</b>	<b>161.257</b>	<b>143.633</b>	<b>22.992</b>	<b>120.641</b>

- In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- Book value of intangible assets with restrictions on use or pledged: None.
- Amount of commitments given for acquisition of intangible asset: None.
- Intangible assets based on revalued asset type: None.
- Total amount of research and development expenses recorded in the period, if any: None.
- Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- Information on goodwill: None.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

As of 31 December 2020, the Bank has no investment properties (31 December 2019: None).

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

As of 31 December 2020, the Bank has no assets related to tax (31 December 2019: None).

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

As at 31 December 2020, deferred tax liabilities of TL68.859 (31 December 2019: TL33.127) and deferred tax assets of TL177.456 TL (31 December 2019: TL75.280) have been offset and TL108.597 deferred tax asset (31 December 2019: TL42.153 deferred tax asset) is reflected in the financial statements.

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2019</b>
Deferred Tax Assets	177.456	75.280
Deferred Tax Liabilities	68.859	33.127
Net Deferred Tax Assets/(Liabilities)	108.597	42.153
Net Deferred Tax Income/(Expense)	47.615	4.150

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2019</b>
Reserve for Employee Benefits	11.347	6.868
Financial Assets Valuation Differences	28.650	9.770
Other	68.600	25.515
<b>Net Deferred Tax Asset</b>	<b>108.597</b>	<b>42.153</b>

###### 15. Information on other assets:

As of 31 December 2020, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

##### 1. a) Information on funds collected

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

Current Period 31.12.2020	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 Year	1 Year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non-trade TL	547.690	-	-	-	-	-	-	-	547.690
II. Real persons participation accounts non-trade TL	-	460.869	4.921.147	47.420	-	57.942	306.722	-	5.794.100
III. Other current accounts-TL	5.992.402	-	-	-	-	-	-	-	5.992.402
Public sector	173.231	-	-	-	-	-	-	-	173.231
Commercial sector	1.219.708	-	-	-	-	-	-	-	1.219.708
Other institutions	47.949	-	-	-	-	-	-	-	47.949
Commercial and other institutions	633	-	-	-	-	-	-	-	633
Banks and participation banks	4.550.881	-	-	-	-	-	-	-	4.550.881
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	6	-	-	-	-	-	-	-	6
Foreign banks	4.550.867	-	-	-	-	-	-	-	4.550.867
Participation banks	8	-	-	-	-	-	-	-	8
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	1.700.665	10.174.612	94.150	-	220.688	378.157	-	12.568.272
Public sector	-	620.289	899.416	41.069	-	106.655	-	-	1.667.429
Commercial sector	-	1.053.627	8.465.785	49.958	-	114.030	378.068	-	10.061.468
Other institutions	-	26.749	795.695	3.123	-	3	89	-	825.659
Commercial and other institutions	-	-	6.782	-	-	-	-	-	6.782
Banks and participation banks	-	-	6.934	-	-	-	-	-	6.934
V. Real persons current accounts non-trade FC	1.495.884	-	-	-	-	-	-	-	1.495.884
VI. Real persons participation accounts- FC	-	493.578	5.322.190	73.336	-	143.786	1.285.468	-	7.318.358
VII. Other current accounts-FC	2.638.698	-	-	-	-	-	-	-	2.638.698
Commercial residents in Turkey	2.571.320	-	-	-	-	-	-	-	2.571.320
Commercial residents in Abroad	63.298	-	-	-	-	-	-	-	63.298
Banks and participation banks	4.080	-	-	-	-	-	-	-	4.080
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4.080	-	-	-	-	-	-	-	4.080
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	309.325	5.963.344	35.670	-	47.954	592.942	-	6.949.235
Public sector	-	-	2.009	-	-	-	-	-	2.009
Commercial sector	-	309.230	5.941.971	35.551	-	47.954	592.942	-	6.927.648
Other institutions	-	95	8.475	119	-	-	-	-	8.689
Commercial and other institutions	-	-	10.889	-	-	-	-	-	10.889
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.325.471	-	1.651.045	44.328	-	19.203	41.364	-	3.081.411
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total I+II+....+IX+X+XI</b>	<b>12.000.145</b>	<b>2.964.437</b>	<b>28.032.338</b>	<b>294.904</b>	<b>-</b>	<b>489.573</b>	<b>2.604.653</b>	<b>-</b>	<b>46.386.050</b>

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

Prior Period 31.12.2019	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non- trade TL	350.043	-	-	-	-	-	-	-	350.043
II. Real persons participation accounts non-trade TL	-	627.089	4.775.595	68.752	-	72.399	260.155	-	5.803.990
III. Other current accounts-TL	1.324.855	-	-	-	-	-	-	-	1.324.855
Public sector	136.022	-	-	-	-	-	-	-	136.022
Commercial sector	1.163.277	-	-	-	-	-	-	-	1.163.277
Other institutions	24.833	-	-	-	-	-	-	-	24.833
Commercial and other institutions	716	-	-	-	-	-	-	-	716
Banks and participation banks	7	-	-	-	-	-	-	-	7
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4	-	-	-	-	-	-	-	4
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	3	-	-	-	-	-	-	-	3
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	404.033	4.163.238	608.928	-	301.861	75.154	-	5.553.214
Public sector	-	53.827	235.600	53.833	-	117.818	57.911	-	518.989
Commercial sector	-	322.540	3.590.103	153.636	-	184.008	14.834	-	4.265.121
Other institutions	-	27.666	337.535	401.459	-	35	2.409	-	769.104
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	724.646	-	-	-	-	-	-	-	724.646
VI. Real persons participation accounts non-trade FC	-	310.421	3.635.775	74.453	-	75.918	854.408	-	4.950.975
VII. Other current accounts non-trade FC	1.483.626	-	-	-	-	-	-	-	1.483.626
Commercial residents in Turkey	1.425.008	-	-	-	-	-	-	-	1.425.008
Commercial residents in Abroad	58.502	-	-	-	-	-	-	-	58.502
Banks and participation banks	116	-	-	-	-	-	-	-	116
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	116	-	-	-	-	-	-	-	116
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	269.674	1.927.397	188.365	-	328.520	1.687.014	-	4.400.970
Public sector	-	757	1.022	-	-	-	-	-	1.779
Commercial sector	-	268.708	1.888.846	188.318	-	328.520	1.687.014	-	4.361.406
Other institutions	-	209	37.529	47	-	-	-	-	37.785
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	255.038	-	557.789	25.188	-	5.545	21.266	-	864.826
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
<b>Total I+II+.....+IX+X+XI</b>	<b>4.138.208</b>	<b>1.611.217</b>	<b>15.059.794</b>	<b>965.686</b>	<b>-</b>	<b>784.243</b>	<b>2.897.997</b>	<b>-</b>	<b>25.457.145</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (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 31.12.2020	Prior Period 31.12.2019	Current Period 31.12.2020	Prior Period 31.12.2019
Real persons current and profit sharing accounts that are not subject to commercial activities	6.262.307	5.251.128	11.597.180	7.383.152
TL accounts	3.102.912	3.496.444	3.238.877	2.657.587
FC accounts	3.159.395	1.754.684	8.358.303	4.725.565
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

##### ii. Amounts which are not within the scope of insurance

##### Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund

	Current Period 31.12.2020	Prior Period 31.12.2019
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	672	770
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

#### 2. Information on funds borrowed

##### a) Information on banks and other financial institutions

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	380.086	1.012.839	374.535	1.498.426
From Foreign Banks, Institutions and Funds	-	33.689	-	1.622.710
<b>Total</b>	<b>380.086</b>	<b>1.046.528</b>	<b>374.535</b>	<b>3.121.136</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Short-term	104.520	750.707	33.786	179.422
Medium and Long-term	275.566	295.821	340.749	2.941.714
<b>Total</b>	<b>380.086</b>	<b>1.046.528</b>	<b>374.535</b>	<b>3.121.136</b>

##### c) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations

77% of Bank's liabilities consists of current and participation account.

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
<b>Domestic</b>	<b>2.101.073</b>	<b>-</b>	<b>19.135</b>	<b>-</b>
Financial Institutions	2.101.073	-	19.135	-
<b>Abroad</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial Institutions	-	-	-	-
<b>Total</b>	<b>2.101.073</b>	<b>-</b>	<b>19.135</b>	<b>-</b>

##### 4. Information on securities issued

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Bond	-	-	-	-
Asset Backed Securities	4.017.250	-	2.482.999	-
Bill	-	-	-	-
<b>Total</b>	<b>4.017.250</b>	<b>-</b>	<b>2.482.999</b>	<b>-</b>

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

None (31 December 2019: None).

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward transactions	-	19.213	19	12.460
Swap transactions	-	227	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
<b>Total</b>	<b>-</b>	<b>19.440</b>	<b>19</b>	<b>12.460</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 7. Information on financial lease obligations

	Current Period 31.12.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	73.018	42.158	4.342	3.953
Between 1-5 years	126.116	78.453	64.193	46.451
More than 5 years	9.770	7.023	123.525	59.655
<b>Total</b>	<b>208.904</b>	<b>127.634</b>	<b>192.060</b>	<b>110.059</b>

##### 8. Information on provisions

###### a) Information on provisions related with foreign currency difference of foreign currency indexed loans and lease receivables

There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables

(31 December 2019: None).

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

Specific provisions for indemnified non-cash loans amounting to TL26.708 (31 December 2019: TL18.452).

###### c) Information on other provisions

###### c.1) Information on free provisions for possible risks

With the decision of the bank management, within the framework of the precautionary principle, free reserves of TL 80.000 were recorded in previous years and TL 35.000 was canceled in the current year. As of 31 December 2020, the free reserves allocated for possible risks amounted to TL 45.000. (31 December 2019: TL 80.000).

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

As of December 31 2020, TL206.087 of other reserves is reserved for use in meeting the part of the Savings Deposit Insurance Fund premium that falls on the participation accounts share in accordance with the 19th article of the "Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for them". (31 December 2019: TL64.051).

The Bank has provided specific provisions amounting to TL26.708 (31 December 2019: TL18.452) for non-cash loans that are not indemnified, amounting to TL38.619 (31 December 2019: TL19.923) for the expected credit loss for (Stage 1 and 2) non-cash loans and amounting to TL147 (31 December 2019: TL17.140) for other provisions.

###### c.3) Information on litigation provisions

A provision of TL36.613 has been set aside in the financial statements for litigation that have not yet been finalized against the bank (31 December 2019: TL17.038).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)****8. Information on provisions (Continued)****d) Information on provisions for employee benefits****d.1) Employment termination benefits and unused vacation rights**

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 December 2020, the amount payable consists of one month’s salary limited to a maximum of TL7.117 (full TL) (31 December 2019: TL6.380 (full TL)) for each year of service.

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – “Turkish Accounting Standard on Employee Benefits”.

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2019</b>
Discount Rate (%)	% 12,80	% 12,10
Inflation	% 10,10	% 8,20

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

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2019</b>
Balance at the 1 January	8.662	5.736
Current service cost	4.616	2.268
Dividend cost	1.148	801
Severance Pay	(429)	(316)
Loss/(gain) obtained from layoff	284	216
Actuarial loss/(gain)	4.703	(43)
<b>Balance at the end of the period</b>	<b>18.984</b>	<b>8.662</b>

As of 31 December 2020, the Bank has a TL7.250 short-run employees’ rights provision (31 December 2019: TL 6.050).

**d.2) Retirement Benefits**

Based on the results of the actuarial report, which is calculated with the actuarial ratio 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2020, no technical deficit has been reported.

As of the balance sheet date, the Bank's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

**d.3) Additional Bonus Provision to be paid to Personnel**

The Bank has allocated a provision amounting to TL 29.836 based on the bonus to be paid in a current period (31 December 2019: TL 21.000).

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 9. Explanations on tax liability

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

As of 31 December 2020 the Banks's corporate income tax liability is TL31.074 (31 December 2019: TL85.445).

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Corporate Tax Payable	57.157	85.480
Taxation on Income From Securities	18.264	18.470
Property Tax	159	286
Banking Insurance Transactions Tax (BITT)	12.977	11.395
Foreign Exchange Transactions Tax	1.099	392
Value Added Tax Payable	3.642	3.708
Other	2.975	2.418
<b>Total</b>	<b>96.273</b>	<b>122.149</b>

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Social Security Premiums - Employee	8	8
Social Security Premiums - Employer	14	11
Bank Social Aid Pension Fund Premium - Employee	1	-
Bank Social Aid Pension Fund Premium - Employer	7	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	110	87
Unemployment Insurance - Employer	219	173
Other	-	-
<b>Total</b>	<b>359</b>	<b>279</b>

##### 10. Information on deferred tax liabilities

The Bank has no deferred tax liability as of the balance sheet date (31 December 2019: None).

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

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2019: None).

##### 12. Explanations on subordinated debts

	Current period 31.12.2020		Prior period 31.12.2019	
	TL	FC	TL	FC
From Domestic Banks	312.489	-	312.351	-
Domestic Other Organizations	-	768.037	-	537.338
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
<b>Total</b>	<b>312.489</b>	<b>768.037</b>	<b>312.351</b>	<b>537.338</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

	Current period 31.12.2020		Prior period 31.12.2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:	-	768.037	-	537.338
Subordinated Loans(*)	-	768.037	-	537.338
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	312.489	-	312.351	-
Subordinated Loans (*)	312.489	-	312.351	-
Equity-like Debt Instruments	-	-	-	-
<b>Total</b>	<b>312.489</b>	<b>768.037</b>	<b>312.351</b>	<b>537.338</b>

(\*) The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share which is approved by BRSA dated 22 April 2019. The Bank has calculated the fair value of the loan in accordance with TFRS 9 and TFRS 13 using the prices of similar financial instruments on the balance sheet date and reflected them to the financial statements.

(\*\*) The Tier II capital amounting to TL 300.000 is T.C. Ziraat Bank A.Ş. has been signed on 28 March 2019. This loan has been entered into the accounts of the Bank on 29 March 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

##### 13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

##### 14. Information on shareholders' equity

###### a) Presentation on paid-in capital

	Current Period	Prior Period
Common stock	1.750.000	1.750.000
Preferred stock	-	-

###### b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount

None.

###### c) Information on share capital increases and their sources; other information on increased capital shares in the current period

None.

###### d) Information on additions from capital reserves to capital in the current period

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)****14. Information on shareholders' equity (Continued)**

- e) **Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments**

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2019: None).

- f) **Indicators of the Bank's income, profitability and liquidity for the previous periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity**

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators (31 December 2019: None).

- g) **Summary information on privileges given to shares representing the capital**

As of 31 December 2020, the Bank has no preferred shares (31 December 2019: None).

- h) **Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss**

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(9.259)	(84)	56.429	642
Revaluation Difference	(12.063)	(84)	72.454	642
Deferred Tax Effect	2.804	-	(16.025)	-
Foreign Exchange Difference	-	-	-	-
<b>Total</b>	<b>(9.259)</b>	<b>(84)</b>	<b>56.429</b>	<b>642</b>

- i) **Profit reserves and profit distribution**

Legal reserves are divided into first and second reserves in the Turkish Commercial Code ("TCC"). Primary legal reserves are separated from the profit at the rate of 5% until the total reserves reach 20% of the paid-in capital. Secondary legal reserves are allocated at the rate of 10% over cash profit distributions exceeding 5% of the paid-in capital.

At the Ordinary General Assembly Meeting of the Bank held on 19 June 2020, it was decided to distribute the 2019 profit as follows.

**Profit distribution table for 2019:**

<b>Profit for the year 2019</b>	<b>503.076</b>
A - 1st Tier general legal reserves (TTK 519 / A) 5%	25.154
B - First dividend to shareholders	-
C - Extraordinary reserves	477.922
D - Special funds	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020	Prior Period 31.12.2019
Commitments for Credit Card Expenditure Limits	155.132	108.744
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	268.625	157.323
Loan Granting Commitments	16.428	11.509
Asset Purchase Commitments	48.071	-
Tax and Fund Liabilities from Export Commitments	173.340	122.657
Promotion Commitment Regarding Credit Card and Banking Services	1	-
<b>Total</b>	<b>661.597</b>	<b>400.233</b>

##### b) The nature and amount of possible losses and commitments from off-balance sheet items including the following

The amount of provision for Stage 3 possible losses arising from the off-balance sheet items is TL 26.708 (31 December 2019: TL 18.452).

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Guarantee Letters	12.574.368	9.381.555
Bank Acceptances	7.687	18.753
Letter of Credits	1.380.643	983.145
Other Contingencies	1.953.072	944.684
<b>Total</b>	<b>15.915.770</b>	<b>11.328.137</b>

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Letters of Temporary Guarantees	945.817	764.821
Letters of Certain Guarantees	6.505.269	4.596.487
Letters of Advance Guarantees	592.998	621.598
Letters of Guarantees given to Customs Offices	100.010	77.809
Other Letters of Guarantees	4.430.274	3.320.840
<b>Total</b>	<b>12.574.368</b>	<b>9.381.555</b>

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

	Current Period 31.12.2020	Prior Period 31.12.2019
<b>Non-Cash Loans for Providing Cash Loans</b>	<b>4.430.274</b>	<b>3.320.852</b>
With Original Maturity of One Year or Less	406.570	83.917
With Original Maturity of More than One Year	4.023.704	3.236.935
<b>Other Non-Cash Loans</b>	<b>11.485.496</b>	<b>8.007.285</b>
<b>Total</b>	<b>15.915.770</b>	<b>11.328.137</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**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 31.12.2020				Prior Period 31.12.2019			
	TP	(%)	YP	(%)	TP	(%)	YP	(%)
Agricultural	56.462	1	56.269	1	16.917	-	45.320	1
Farming and Raising					11.548		45.320	
Livestock	38.164	1	34.277	1				1
Forestry	18.243	-	-	-	5.284	-	-	-
Fishing	55	-	21.992	-	85	-	-	-
Manufacturing	1.295.191	19	6.285.349	69	875.150	18	3.872.614	60
Mining and Quarrying	21.053	-	60.462	1	35.406	-	14.976	-
Production	1.003.857	15	6.194.957	68	715.084	15	3.832.906	60
Electric, Gas and Water	270.281	4	29.930	-	124.660	3	24.732	-
Construction	3.522.025	51	836.526	9	2.724.386	55	677.991	11
Services	1.894.262	28	1.887.525	21	1.307.130	27	1.786.358	28
Wholesale and Retail Trade	1.334.199	20	1.053.809	12	761.328	15	1.251.131	20
Hotel, Food and Beverage Services	56.366	1	144.016	2	33.744	1	155.961	2
Transportation and Telecommunication	123.352	2	367.698	4	89.887	2	22.522	-
Financial Institutions	34.655	1	68.313	1	22.833	-	39.727	1
Real Estate and Leasing Services	293.691	3	222.510	2	324.252	7	266.364	4
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	2.336	-	22.241	-	657	-	17.050	-
Health and Social Services	49.663	1	8.938	-	74.429	2	33.603	1
Other	71.342	1	10.819	-	3.383	-	18.888	-
<b>Total</b>	<b>6.839.282</b>	<b>100</b>	<b>9.076.488</b>	<b>100</b>	<b>4.926.966</b>	<b>100</b>	<b>6.401.171</b>	<b>100</b>

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

	Group I		Group II	
	TL	FC	TL	FC
<b>Non-cash Loans</b>	<b>6.682.472</b>	<b>8.793.961</b>	<b>156.810</b>	<b>282.527</b>
Letters of Guarantee	6.535.161	5.599.870	156.810	282.527
Aval and Acceptance Loans	-	7.687	-	-
Letters of credit	40.077	1.340.566	-	-
Turnover	-	-	-	-
Our Guarantees for Purchase in Securities Issue	-	-	-	-
From Factoring Guarantees	-	-	-	-
Other Guarantees and Sureties	107.234	1.845.838	-	-

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

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

##### 2. Explanations on derivative transactions:

	Current Period 31.12.2020	Prior Period 31.12.2019
<b>Types of Trading Transactions</b>		
<b>Foreign Currency Related Derivative Transactions: (I)</b>	7.281.799	2.639.238
Forward Foreign Exchange Transactions	2.183.637	2.639.238
Swap Money Exchange Transactions	5.098.162	-
Futures Money Transactions	-	-
Money Trading Options	-	-
<b>Other Trading Derivative Transactions: (II)</b>	-	-
<b>A. Total Trading Derivative Transactions (I+II)</b>	<b>7.281.799</b>	<b>2.639.238</b>
<b>Types of Hedging Derivative Transactions</b>	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
<b>B. Derivative Transactions for Total Hedging Purposes</b>	-	-
<b>Total Derivative Transactions (A + B)</b>	<b>7.281.799</b>	<b>2.639.238</b>

The Bank has no derivative instruments for hedging purposes. There are no unrealized transactions, those are estimated in the prior period and recognized based on this assumption however; it is clear that those transactions would not be realized, or expense and income from agreements in the income statement in the current period.

Current Period 31.12.2020	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	28.293	(14.906)	838	-	-	14.225
- Inflow	3.090.778	548.603	8.631	-	-	3.648.012
- Outflow	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	3.090.778	548.603	8.631	-	-	3.648.012
<b>Total Outflow</b>	(3.062.485)	(563.509)	(7.793)	-	-	(3.633.787)

Prior Period 31.12.2019	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
<b>Derivatives held for trading</b>						
Foreign exchange derivatives:	(11.580)	18.056	158	-	-	6.634
- Inflow	1.186.774	133.020	3.142	-	-	1.322.936
- Outflow	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)
<b>Derivatives held for hedging</b>	-	-	-	-	-	-
Foreign exchange derivatives:	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-
- Outflow	-	-	-	-	-	-
<b>Total Inflow</b>	1.186.774	133.020	3.142	-	-	1.322.936
<b>Total Outflow</b>	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts TL 268.625 (31 December 2019: TL 157.323).

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

##### 4. Explanations on services in the name of others:

The Bank provides safe deposit box services on behalf of real and legal persons. The Bank does not provide consultancy and management services.

#### IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	YP
Profit share on loans (*)	2.650.825	487.882	2.515.125	379.478
Short term loans	688.309	102.573	1.112.505	117.674
Medium and long term loans	1.901.533	377.501	1.361.878	261.804
Profit share on non-performing loans	60.983	7.808	40.742	-
Premiums received from resource utilization support fund	-	-	-	-

(\*) Includes fees and commissions income on cash loans.

##### b) Information on profit share received from banks

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	22.086	488	530	44
Foreign Banks	-	1.421	-	-
Head Office and Branches	-	-	-	-
Total	22.086	1.909	530	44

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

	Current Period 31.12.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	7.457	-	16.716	-
Financial Assets at Fair Value through Other Comprehensive Income	525.705	34.947	220.709	8.308
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	40.460	-	-
Total	533.162	75.407	237.425	8.308

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

None (31 December 2019: None).



**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)****2. a) Information on profit share expense on borrowing**

	<b>Current Period 31.12.2020</b>		<b>Prior Period 31.12.2019</b>	
	<b>TL</b>	<b>FC</b>	<b>TL</b>	<b>FC</b>
Banks	100.342	55.051	133.500	121.170
Central Bank of the Republic of Turkey	2.428	-	-	-
Domestic Banks	5.625	39.332	58.905	64.946
Foreign Banks	92.289	15.719	74.595	56.224
Head Office and Branches	-	-	-	-
Other Institutions	-	43.679	-	17.988
<b>Total</b>	<b>100.342</b>	<b>98.730</b>	<b>133.500</b>	<b>139.158</b>

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

None (31 December 2019: None).

**c) Information on profit share expense paid to securities issued**

Profit share expense on securities issued is TL327.137 (31 December 2019: TL391.078).

**d) Presentation of dividends paid to participation accounts according to maturity structure**

<b>Current Period 31.12.2020</b>	<b>Participation Accounts</b>					
	<b>1 Month</b>	<b>3 Months</b>	<b>6 Months</b>	<b>1 Year</b>	<b>Over 1 Year</b>	<b>Total</b>
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	14	-	-	-	14
Real Person's Non Commercial Participation Accounts	55.456	420.858	5.616	5.466	28.565	515.961
Public Sector Participation Accounts	31.401	42.276	8.558	19.858	5.455	107.548
Commercial Sector Participation Accounts	66.019	537.096	14.481	31.788	25.261	674.645
Other Institutions Participation Accounts	6.020	45.690	8.292	144	58	60.204
<b>Total</b>	<b>158.896</b>	<b>1.045.934</b>	<b>36.947</b>	<b>57.256</b>	<b>59.339</b>	<b>1.358.372</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	4.542	47.680	946	1.315	24.562	79.045
Public Sector Participation Accounts	6	32	-	-	-	38
Commercial Sector Participation Accounts	3.073	47.138	963	2.110	15.132	68.416
Other Institutions Participation Accounts	1	451	1	-	-	453
Public Sector Participation Accounts	2.573	-	-	-	-	2.573
<b>Total</b>	<b>10.195</b>	<b>95.301</b>	<b>1.910</b>	<b>3.425</b>	<b>39.694</b>	<b>150.525</b>
<b>Grand Total</b>	<b>169.091</b>	<b>1.141.235</b>	<b>38.857</b>	<b>60.681</b>	<b>99.033</b>	<b>1.508.897</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)****2. d) Presentation of dividends paid to participation accounts according to maturity  
structure (Continued)**

Prior Period 31.12.2019	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	87	4.883	326	-	-	5.296
Real Person's Non Commercial Participation Accounts	71.104	535.780	5.902	7.087	39.397	659.270
Public Sector Participation Accounts	6.155	28.584	10.609	16.489	19.808	81.645
Commercial Sector Participation Accounts	26.263	392.515	23.661	20.286	2.406	465.131
Other Institutions Participation Accounts	2.343	79.396	67.876	2.577	928	153.120
<b>Total</b>	<b>105.952</b>	<b>1.041.158</b>	<b>108.374</b>	<b>46.439</b>	<b>62.539</b>	<b>1.364.462</b>
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	138	-	-	-	138
Real Person's Non Commercial Participation Accounts	7.126	68.457	1.714	1.249	20.990	99.536
Public Sector Participation Accounts	13	279	-	-	-	292
Commercial Sector Participation Accounts	1.982	37.792	1.355	1.782	14.405	57.316
Other Institutions Participation Accounts	1	1.428	1	-	-	1.430
Public Sector Participation Accounts	5.668	-	-	-	-	5.668
<b>Total</b>	<b>14.790</b>	<b>108.094</b>	<b>3.070</b>	<b>3.031</b>	<b>35.395</b>	<b>164.380</b>
<b>Grand Total</b>	<b>120.742</b>	<b>1.149.252</b>	<b>111.444</b>	<b>49.470</b>	<b>97.934</b>	<b>1.528.842</b>

**3. Information on dividend income**

Dividend revenue is TL104 as of 31 December 2020. (31 December 2019: TL17.762).

**4. a. Information on trading income/loss (net)**

	Current Period 31.12.2020	Prior Period 31.12.2019
<b>Income</b>	<b>13.705.661</b>	<b>7.627.672</b>
Foreign exchange gains	13.423.821	7.544.152
Gain on derivative financial instruments	84.275	81.310
Gain on capital market transactions	197.565	2.210
<b>Losses (-)</b>	<b>13.622.351</b>	<b>7.558.194</b>
Foreign exchange losses	13.441.463	7.520.302
Losses on derivative financial instruments	159.863	37.248
Losses on capital market transactions	21.025	644
<b>Net</b>	<b>83.310</b>	<b>69.478</b>

**a. Information on Profit/Loss on Derivative Financial Operations**

	Current Period 31.12.2020	Prior Period 31.12.2019
Effect of the change in exchange rates on profit/loss	(75.588)	44.062
<b>Total</b>	<b>(75.588)</b>	<b>44.062</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020	Prior Period 31.12.2019
Correction Account for Previous Years Expenses	215.301	155.601
Income from the Sale of the Asset	48.060	1.072
Provision for Communication Expenses	953	666
Checkbook Fees	392	266
Other	3.438	1.403
<b>Total</b>	<b>268.144</b>	<b>159.008</b>

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

	Current Period 31.12.2020	Prior Period 31.12.2019
Expected Credit Loss	885.952	434.048
12 month expected credit loss (Stage 1)	124.815	33.252
Significant increase in credit risk (Stage 2)	269.250	55.049
Non-performing loans (Stage 3)	491.887	345.747
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Subsidiaries, Associates and Entities Under Common Control Impairment Provision	-	-
Associates	-	-
Subsidiaries	-	-
Entities Under Common Control (Joint Ventures)	-	-
Other <sup>(*)</sup>	108.261	58.123
<b>Total</b>	<b>994.213</b>	<b>492.171</b>

<sup>(\*)</sup> In accordance with Article 19 of the "Regulation on the Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for These", 108.261 TL (31 December 2019 58.123 TL) of the balance that constitutes the other item is from the amount allocated to be used to meet the part of the special and general provisions and the share of participation accounts.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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 31.12.2020	Prior Period 31.12.2020
Reserve for Employee Termination Benefits	5.620	3.606
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	50.519	43.238
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	14.184	10.350
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	131.289	94.779
Leasing Expenses Related to TFRS 16 Exceptions	584	162
Maintenance Expenses	23.158	19.724
Advertisement Expenses	34.332	26.718
Other Expenses	73.215	48.175
Loss on Sales of Assets	945	7.923
Other (*)	114.375	81.247
<b>Total</b>	<b>316.932</b>	<b>241.143</b>

(\*) The balance which forms the other item part, TL 64.370 (31 December 2019: TL 25.253), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 39.026 (31 December 2019: TL 37.718) consists of taxes, fees and funds and other service expenses.

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

As of 31 December 2020, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 31.12.2020	Prior Period 31.12.2020
Net Profit Share Income	2.068.538	1.368.925
Net Fees and Commissions Income	92.541	94.452
Dividend Income	104	17.762
Trading Income/Expense (Net)	83.310	69.478
Other Operating Income	268.144	159.008
Expected Loss Provision (-)	994.213	492.171
Other Provision Expense	173.855	87.244
Personnel Expense	235.155	183.767
Other Operating Expenses (-)	316.932	241.143
<b>Income/(Loss) from Continuing Operations</b>	<b>792.482</b>	<b>705.300</b>

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

As of 31 December 2020, the Bank's total tax provision expense amounting to TL153.920 (31 December 2019: TL188.565) consists of TL201.535 (31 December 2019: TL202.224) of current tax expense and TL47.615 (31 December 2019: TL13.659) of deferred tax expense.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED  
PROFIT OR LOSS (Continued)**

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

The Bank's net operating income after tax amounts to TL638.562 (31 December 2019: TL516.735 net profit).

**11. Information on net profit/loss**

**a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period**

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

**b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any**

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

**12. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below**

None (31 December 2019: None).

**V. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED THE CHANGES IN  
SHAREHOLDERS' EQUITY**

**a) Explanations on Profit Distribution:**

In accordance with the profit distribution decision taken at the 2019 Ordinary General Assembly meeting held on 19 June 2020, the Bank set aside a general legal reserve of 25.154 TL at the rate of 5% from the net profit of the period of TL 503.076 after deducting the financial liabilities amounting to TL 202.224 from the balance sheet profit of the year 2019 amounting to TL 705.300, and 477.922 TL remaining after distributions and followed up in previous years profit; As of January 1, 2018 date being implemented "IFRS-9 Financial Instruments" from Turkey Financial Reporting Standards regulations due to be recalculated in accordance with the provisions of TL 25,662 has been decided to leave the Bank.

The Bank plans to distribute its profit in 2020 in line with its articles of association. However, no decision has been taken regarding the distribution of profits as of the date the financial reports were prepared.

**b) Explanations on Financial Assets at Fair Value through Other Comprehensive Income:**

Information on financial assets at fair value through other comprehensive income is presented in the fifth section, footnote 1.3-b.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

#### 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, the profit reserves were 1.098.041 TL, legal reserves were 60.388 TL, extraordinary reserves were 991.586 TL, and other profit reserves were 46.067 TL.

###### d) Explanations on Previous Period Profit / Loss:

As of 31 December 2020, the Bank's previous period profit is 2.568 TL.

##### VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED CASH FLOW STATEMENTS

###### 1. Explanations on the “Other” items and “The Effect Of The Change in Foreign Currency on Cash and Cash Equivalent” item in the Cash Flow Statement:

Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 229.435 gain is composed mainly from interest received from loans and securities amounting to TL 4.093.676 and interest paid to deposit and money market operations which is amounting to TL 2.010.679. Other earnings consists primarily net fee, commission income and other operation gains.

The effect of the change in foreign exchange rate on cash and cash equivalents is determined as TL 1.456.262 as of 31 December 2020 (31 December 2019: TL 195.076).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

###### Period opening and end cash and cash equivalents balance:

	<b>Current Period 31.12.2020</b>	<b>Prior Period 31.12.2020</b>
Cash in TL and in Foreign Currency	279.899	418.728
Central Bank of the Republic of Turkey and Other Banks	4.490.864	984.698
Money Market Operations	-	-
<b>Total Cash and Cash Equivalents</b>	<b>4.770.763</b>	<b>1.403.426</b>

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK**

- 1) a) **Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period**

**Current Period**

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	3.097.903	-	-	-
Balance at end of period	-	-	540	-	-	-
<b>Profit share and commission income</b>	-	-	3.356	-	-	-

**Prior Period**

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
<b>Loans and other receivables</b>	-	-	-	-	-	-
Balance at beginning of period	-	-	2.180.316	-	-	-
Balance at end of period	-	-	3.097.903	-	-	-
<b>Profit share and commission income</b>	-	-	21.276	-	-	-

- b) **Current and profit sharing account held by the Bank's risk group:**

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
<b>Current and participation accounts</b>						
Balance at the beginning of period	-	-	59.324	42.411	-	-
Balance at the end of period	-	-	2.715	59.324	-	-
<b>Participation Accounts</b>						
<b>Profit Share Expenses</b>	-	-	21	6.005	-	-

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

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

##### 2) Information on forward transactions, option agreements and similar transactions between the Parent Bank's risk group:

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	2.383.936	2.401.773	-	-
Closing Balance	-	-	2.153.566	2.383.936	-	-
<b>Total Profit/Loss</b>	-	-	<b>230.370</b>	<b>17.837</b>	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

The Bank has paid TL6.104 (31 December 2019: TL4.689) to top management.

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

None.

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

##### 1) Information on the Bank's domestic and foreign branches and foreign representatives of the Bank

	Number	Number of Employees			
Domestic Branch (*)	104	1.260			
			Country of Incorporation		
Foreign Representative Office	-	-	-		
				Total Assets	Statutory Share Capital
Foreign Branch(**)	1	1	Sudan	86.171	73.760
Off-Shore Banking Region Branches	-	-	-	-	-

(\*) Includes the employees of the domestic branches, including the employees of Head Office.

(\*\*) Excluding the local employees of the foreign branches.

##### 2) Information on The Bank about opening, closing, changing its organization considerably for domestic and foreign branches and foreign representatives of the Bank:

In 2020, 11 new branches in country (31 December 2019: 13 Branches).



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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**SECTION SIX****OTHER EXPLANATIONS AND NOTES****I. INFORMATION ON THE GROUP'S RATING THAT HAS BEEN DETERMINED BY  
INTERNATIONAL RATING AGENCIES**

Fitch Ratings: 14 December 2020	Note	Explanation
Foreign Currency Long Term Credit Rating	B+	It is very speculative under the investment class
Foreign Currency Short Term Credit Rating	B	It is very speculative under the investment class
Local Currency Long Term Credit Rating	BB-	It is speculative under the investment class.
Local Currency Short Term Credit Rating	B	It is very speculative under the investment class
National Long Term Credit Rating	AA(tur)	It is a high level investment grade.
Support	4	The possibility of external support is limited.

**II. OTHER EXPLANATIONS ON THE BANK'S OPERATIONS**

None.

**SECTION SEVEN****EXPLANATIONS ON INDEPENDENT AUDIT REPORT****I. MATTERS TO BE EXPLAINED ON THE INDEPENDENT AUDITOR'S REPORT**

The consolidated financial statements prepared as of 31 December 2020 and for the fiscal period ending on the same date have been audited by PwC Bağımsız Denetim ve SMMM A.Ş. and presented preceding the consolidated financial statements of independent auditors' report dated 19 February 2021.

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

None.

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