

**ZİRAAT KATILIM BANKASI
ANONİM ŞİRKETİ**

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 30 JUNE 2023 WITH
AUDITOR'S REVIEW REPORT**

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



AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the General Assembly of Ziraat Katılım Bankası Anonim Şirketi;

Introduction

We have reviewed the consolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") and its consolidated subsidiaries (collectively referred to as "the Group") at 30 June 2023 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the six-month period then ended. The Group management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on this interim consolidated financial information based on our review.

Scope of Review

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

Basis for the Qualified Conclusion

As mentioned in Section Five Part II. 8.c.1 of Explanations and Notes to the Consolidated Financial Statements; the accompanying consolidated financial statements as at 30 June 2023 include a free provision amounting to TL 404.000 thousand which consist of TL 1.004.000 thousand provided in prior periods and TL 600.000 thousand reversed in the current period by the Group management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.



Qualified Conclusion

Based on our review, except for the effects of the matter on the consolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information do not present fairly in all material respects the consolidated financial position of Ziraat Katılım Bankası Anonim Şirketi and its consolidated subsidiaries at 30 June 2023 and the results of its consolidated operations and its consolidated cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

Additional Paragraph for Convenience Translation:

BRSA Accounting and Financial Reporting Legislation explained in detail in Section Three differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board including the application of IAS 29 - Financial Reporting in Hyperinflationary Economies as of 30 June 2023. Accordingly, the accompanying consolidated financial statements are not intended to present fairly the consolidated financial position, results of operations, changes in equity and cash flows of the Group in accordance with IFRS.

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

A handwritten signature in blue ink, appearing to read "Zeynep Uras", is positioned below the text of the firm.

Zeynep Uras, SMMM
Partner

Istanbul, 8 August 2023



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

**THE CONSOLIDATED INTERIM FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş.
AS OF 30 JUNE 2023**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
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The consolidated financial report for the six month period ended prepared in accordance with the "Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced" as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON THE ACCOUNTING POLICIES APPLIED IN THE RELATED PERIOD
- INFORMATIONS ON THE FINANCIAL STRUCTURE AND RISK MANAGEMENT OF THE GROUP
- EXPLANATIONS AND DISCLOSURES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- AUDITOR'S REVIEW REPORT
- INTERIM ACTIVITY REPORT

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

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

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

Alpaslan ÇAKAR
Chairman of the Board

Fikretin AKSU
Vice Chairman of the BOD,
Member of the Audit
Committee

Metin ÖZDEMİR
Member of the Board,
General Manager

Mahmut Esfa EMEK
Member of the Board,
Member of the Audit Committee

Osman KARAKÜTÜK
Vice President of Treasury
Management and
International Banking

Gürkan ÇAKIR
Head of Financial
Management Department

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

Name-Surname/Position : Erdem DENİZHAN / Financial Reporting Manager
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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

SECTION ONE GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım Bankası A.Ş. ("Group") is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 October 2014 which was published in the Official Gazette numbered as 29146 at 15 October 2014 with a capital of TRY 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TRY 72.000 from TRY 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TRY 500.000 and by increasing the amount of internal resources by TRY 3.000 to TRY 1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of the Bank has been raised from TRY 1.250.000 to TRY 1.750.000 by increasing the amount of cash by TRY 500.000. At the Bank's Ordinary General Assembly for 2021 held on March 25, 2022, its paid-in capital was increased by TRY 900.000 in cash to TRY 2.650.000. At the Extraordinary General Assembly of the Parent Bank for the year 2023 held on March 31, 2023, the paid-in capital was increased by TRY 4.700.000 in cash to TRY 7.350.000.

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

As of 30 June 2023 and 31 December 2022, main shareholders and capital amounts as follows:

Name of Shareholders	30 June 2023		31 December 2022	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. ^(*)	7.350.000	99,99999996	2.650.000	99,99999984
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş. ^(**)	-	0,00000001	-	0,00000004
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş. ^(**)	-	0,00000001	-	0,00000004
Ziraat Teknoloji A.Ş.	-	0,00000001	-	0,00000004
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,00000001	-	0,00000004
Total	7.350.000	100,00	2.650.000	100,00

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

(**) On 26 December 2022, Ziraat Katılım Bankası A.Ş. shares held by Türkiye Sigorta A.Ş. were transferred to Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş., Ziraat Katılım Bankası A.Ş., which is owned by Türkiye Hayat ve Emeklilik A.Ş. its shares were transferred to Ziraat İşletme Yönetim ve Gayrimenkul Geliştirme A.Ş.

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

Name	Title
Board of Directors	
Alpaslan ÇAKAR	Chairman
Fikretin AKSU	Vice Chairman of the BOD, Member of the Audit Committee , Member of Corporate Management Committee, Associate Member of Credit Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, President of Credit Committee
Mahmut Esfa EMEK	Member of the BOD, Member of Audit Committee, Member of Pricing Committee, Associate Member of Credit Committee
Ahmet BUÇUKOĞLU	Member of the BOD, Member of Credit Committee, Member of Pricing Committee
Mehmet BAŞIBUYUK	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
Assistant General Manager	
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKUTUK	Treasury Management and International Banking
Onder KIRMAN	Loan Allocation and Management
Ertuğrul İSPAHA	Corporate Banking
Seher Elif EKİCİ	Credit Policies and Risk Liquidation

Chairman and members of the Board of Directors, Audit Committee members and General Managers and Deputies have no Bank’s share capital.

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

Name/Trade Name	Share Amount	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş.	7.350.000	100,00	7.350.000	-
Total	7.350.000	100,00	7.350.000	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

The Group's field of activity is specified in its articles of association, without prejudice to the provisions of the Banking Law and other legislation. The Bank collects funds within the framework of interest-free banking rules, and also engages in fund disbursement activities through individual and corporate finance, financial leasing, profit/loss and labor/capital partnership investments, document financing in return for goods, and joint investments.

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

The Bank can freely determine the profit participation rates arising from the operation of participation accounts or the estimated profit rate for investment proxies. The rate of participation in the loss participation accounts can be applied as one hundred percent.

As of 30 June 2023, the Parent Bank operates with 173 branches in Türkiye and a total of 174 branches abroad (31 December 2022: 155 domestic, 1 foreign), including the Sudan branch that started its operations on 27 August 2020. As of 30 June 2023, the number of the Bank's personnel is 2.368 (31 December 2022: 1.904).

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

Among the consolidation transactions made in accordance with the Communiqué on the Preparation of Consolidated Financial Statements of Banks and Turkish Accounting Standards, the Subsidiaries of the Parent Bank, Ziraat Katılım Varlık Kiralama Şirketi A.Ş., established on January 22, 2016, and ZKB Varlık Kiralama A.Ş., established on September 8, 2017, are within the scope of full consolidation. There is no difference as they are included.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (V-I)	Current Period (30 June 2023)			Prior Period (31 December 2022)		
		TRY	FC	Total	TRY	FC	Total
I. FINANCIAL ASSETS (NET)		24.620.403	52.169.551	76.789.954	21.635.778	37.540.469	59.176.247
1.1 Cash And Cash Equivalents		10.602.112	43.976.117	54.578.229	6.424.337	31.780.105	38.204.442
1.1.1 Cash And Balances With Central Bank	(1)	5.657.717	34.197.092	39.854.809	6.310.803	18.663.442	24.974.245
1.1.2 Banks	(2)	4.961.786	9.779.025	14.740.811	134.657	13.116.663	13.251.320
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		17.391	-	17.391	21.123	-	21.123
1.2 Financial Assets Measured At Fair Value Through Profit/Loss	(3)	-	3.097.240	3.097.240	-	2.133.604	2.133.604
1.2.1 Government Securities		-	3.097.240	3.097.240	-	2.133.604	2.133.604
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(4)	13.993.935	5.096.138	19.090.073	15.197.112	3.626.618	18.823.730
1.3.1 Government Securities		13.934.000	5.096.138	19.030.138	15.139.990	3.626.618	18.766.608
1.3.2 Equity Securities		52.341	-	52.341	52.341	-	52.341
1.3.3 Other Financial Assets		7.594	-	7.594	4.781	-	4.781
1.4 Derivative Financial Assets	(5)	24.356	56	24.412	14.329	142	14.471
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		24.356	56	24.412	14.329	142	14.471
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		143.574.745	81.419.922	224.994.667	99.369.290	50.812.921	150.182.211
2.1 Loans	(6)	103.737.395	69.170.210	172.907.605	84.712.509	41.627.471	126.339.980
2.2 Lease Receivables	(6)	34.820.530	8.788.274	43.608.804	14.356.192	6.879.132	21.235.324
2.3 Other Financial Assets Measured at Amortized Cost	(7)	8.093.041	3.744.319	11.837.360	2.715.329	2.608.614	5.323.943
2.3.1 Government Securities		8.093.041	3.744.319	11.837.360	2.715.329	2.608.614	5.323.943
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		3.076.221	282.881	3.359.102	2.414.740	302.296	2.717.036
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	280.729	-	280.729	274.644	-	274.644
3.1 Assets Held for Sale		280.729	-	280.729	274.644	-	274.644
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	24.000	-	24.000	-	-	-
4.1 Associates (Net)		24.000	-	24.000	-	-	-
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		24.000	-	24.000	-	-	-
4.2 Subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	1.245.656	1.257	1.246.913	594.099	843	594.942
VI. INTANGIBLE ASSETS (Net)	(11)	476.953	-	476.953	342.454	-	342.454
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		476.953	-	476.953	342.454	-	342.454
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(13)	1.091.521	-	1.091.521	788.020	-	788.020
X. OTHER ASSETS	(14)	658.499	254.866	913.365	925.248	73.157	998.405
TOTAL ASSETS		171.972.506	133.845.596	305.818.102	123.929.533	88.427.390	212.356.923

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

ZİRAAT KATILIM BANKASI A.Ş.**CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF
30 JUNE 2023**

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES	Note (V-II)	Current Period (30 June 2023)			Prior Period (31 December 2022)		
		TRY	FC	Total	TRY	FC	Total
I. FUNDS COLLECTED	(1)	147.588.074	109.093.511	256.681.585	105.446.074	67.693.024	173.139.098
II. FUNDS BORROWED	(2)	390.236	6.344.686	6.734.922	341.719	4.182.250	4.523.969
III. MONEY MARKETS DEBTS	(3)	365.007	10.274.532	10.639.539	57.003	7.498.996	7.555.999
IV. SECURITIES ISSUED (Net)	(4)	3.613.024	-	3.613.024	4.394.241	-	4.394.241
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	1.859	1.859	-	62.998	62.998
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	1.859	1.859	-	62.998	62.998
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES (Net)	(7)	491.234	-	491.234	335.946	-	335.946
VIII. PROVISIONS	(8)	1.126.425	925.101	2.051.526	1.624.034	541.975	2.166.009
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		184.184	-	184.184	154.439	-	154.439
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		942.241	925.101	1.867.342	1.469.595	541.975	2.011.570
IX. CURRENT TAX LIABILITY	(9)	198.601	174	198.775	1.487.212	2	1.487.214
X. DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
XI. LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
11.1 Held for Sale Purpose		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	1.341.480	3.734.514	5.075.994	1.341.748	2.597.654	3.939.402
12.1 Loans		1.341.480	3.734.514	5.075.994	1.341.748	2.597.654	3.939.402
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	2.139.807	2.477.147	4.616.954	2.056.100	1.317.502	3.373.602
XIV. SHAREHOLDERS' EQUITY	(14)	15.877.222	(164.532)	15.712.690	11.496.416	(117.971)	11.378.445
14.1 Paid-in capital		7.350.000	-	7.350.000	2.650.000	-	2.650.000
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(93.224)	-	(93.224)	(94.077)	-	(94.077)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		1.062.207	(164.532)	897.675	2.540.848	(117.971)	2.422.877
14.5 Profit Reserves		2.297.860	-	2.297.860	2.297.860	-	2.297.860
14.5.1 Legal Reserves		120.251	-	120.251	120.251	-	120.251
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		2.131.542	-	2.131.542	2.131.542	-	2.131.542
14.5.4 Other Profit Reserves		46.067	-	46.067	46.067	-	46.067
14.6 Profit or (Loss)		4.998.866	-	4.998.866	3.840.272	-	3.840.272
14.6.1 Prior Period Profit/Loss		3.840.272	-	3.840.272	-	-	-
14.6.2 Current Period Profit/Loss		1.158.594	-	1.158.594	3.840.272	-	3.840.272
TOTAL LIABILITIES		173.131.110	132.686.992	305.818.102	128.580.493	83.776.430	212.356.923

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

ZİRAAT KATILIM BANKASI A.Ş.**CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS
AS OF 30 JUNE 2023**

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS							
	Note (V-III)	Current Period (30 June 2023)			Prior Period (31 December 2022)		
		TRY	FC	Total	TRY	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		35,142,890	35,596,021	70,738,911	28,889,269	34,877,714	63,766,983
I. GUARANTEES AND WARRANTIES	(1)	29,650,679	32,644,286	62,294,965	21,569,718	23,621,764	45,191,482
1.1 Letters of Guarantee		29,546,910	25,413,539	54,960,449	21,211,314	16,733,373	37,944,687
1.1.1 Guarantees Subject to State Tender Law		476,373	17,027,750	17,504,123	370,605	10,953,388	11,323,993
1.1.2 Guarantees Given for Foreign Trade Operations		23,050,843	-	23,050,843	15,639,249	-	15,639,249
1.1.3 Other Letters of Guarantee		6,019,694	8,385,789	14,405,483	5,201,460	5,779,985	10,981,445
1.2 Bank Acceptances		-	123,569	123,569	-	74,133	74,133
1.2.1 Import Letter of Acceptance		-	123,569	123,569	-	74,133	74,133
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		846	6,351,516	6,352,362	846	5,650,093	5,650,939
1.3.1 Documentary Letters of Credit		846	6,351,516	6,352,362	846	5,650,093	5,650,939
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Türkiye		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		99,758	755,662	855,420	340,558	1,164,165	1,504,723
1.7 Other Collaterals		3,165	-	3,165	17,000	-	17,000
II. COMMITMENTS	(1)	3,981,879	347,245	4,329,124	2,401,997	428,407	2,830,404
2.1 Irrevocable Commitments		3,981,879	347,245	4,329,124	2,401,997	428,407	2,830,404
2.1.1 Forward asset purchase commitments		331,974	347,245	679,219	292,171	428,407	720,578
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		1,351,433	-	1,351,433	748,093	-	748,093
2.1.7 Tax and Fund Liabilities from Export Commitments		189,719	-	189,719	95,161	-	95,161
2.1.8 Commitments for Credit Card Limits		779,340	-	779,340	544,655	-	544,655
2.1.9 Commitments for Credit Cards and Banking Services Promotions		840	-	840	458	-	458
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		1,328,573	-	1,328,573	721,459	-	721,459
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1,510,332	2,604,490	4,114,822	4,917,554	10,827,543	15,745,097
3.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
3.1.1 Fair value hedge		-	-	-	-	-	-
3.1.2 Cash flow hedge		-	-	-	-	-	-
3.1.3 Foreign Net Investment Hedges		-	-	-	-	-	-
3.2 Trading Derivative Financial Instruments		1,510,332	2,604,490	4,114,822	4,917,554	10,827,543	15,745,097
3.2.1 Forward Foreign Currency Buy/Sell Transactions		-	-	-	-	-	-
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	-	-	-	-	-
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	-	-	-	-	-
3.2.2 Other Forward Buy/Sell Transaction		1,510,332	2,604,490	4,114,822	4,917,554	10,827,543	15,745,097
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		209,645,731	44,397,818	254,043,549	131,287,786	32,489,349	163,777,135
IV. ITEMS HELD IN CUSTODY		9,094,729	17,090,676	26,185,405	8,152,999	13,565,085	21,718,084
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		2,324,677	-	2,324,677	3,865,882	4,149,611	8,015,493
4.3 Checks Received for Collection		5,954,303	256,733	6,211,036	3,857,006	247,942	4,104,948
4.4 Commercial Notes Received for Collection		814,677	288,478	1,103,155	429,039	26,523	455,562
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		1,072	5,864,362	5,865,434	1,072	2,940,304	2,941,376
4.8 Custodians		-	10,681,103	10,681,103	-	6,200,705	6,200,705
V. PLEDGES RECEIVED		200,551,002	27,307,142	227,858,144	123,134,787	18,924,264	142,059,051
5.1 Marketable Securities		2,096,749	63,402	2,160,151	1,924,744	50,069	1,974,813
5.2 Guarantee Notes		11,757,602	195,143	11,952,745	8,077,568	171,660	8,249,228
5.3 Commodity		15,289,442	6,543,511	21,832,953	8,401,325	3,859,726	12,261,051
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		134,770,997	17,302,370	152,073,367	86,435,593	12,437,005	98,872,598
5.6 Other Pledged Items		36,636,212	3,202,716	39,838,928	18,295,557	2,405,804	20,701,361
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF BALANCE SHEET COMMITMENTS (A+B)		244,788,621	79,993,839	324,782,460	160,177,055	67,367,063	227,544,118

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
INCOME / EXPENSE ITEMS	Note	Current Period 1 January- 30 June 2023	Prior Period 1 January- 30 June 2022	Current Period 1 April- 30 June 2023	Prior Period 1 April- 30 June 2022
I. PROFIT SHARE INCOME	(1)	14,855,460	8,587,342	8,192,594	4,682,948
1.1 Profit Share on Loans		9,668,145	5,147,025	5,129,275	3,019,133
1.2 Profit Share on Reserve Deposits		-	58,519	-	11,519
1.3 Profit Share on Banks		168,361	59,845	131,059	46,825
1.4 Profit Share on Money Market Placements		-	-	-	-
1.5 Profit Share on Marketable Securities Portfolio		2,619,406	2,808,436	1,363,961	1,308,410
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		31,316	20,745	17,752	10,524
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		2,089,859	2,711,543	976,931	1,255,206
1.5.3 Financial Assets Measured at Amortised Cost		498,231	76,148	369,278	42,680
1.6 Financial Lease Income		2,365,292	499,398	1,559,300	292,927
1.7 Other Profit Share Income		34,256	14,119	8,999	4,134
II. PROFIT SHARE EXPENSE	(2)	12,333,509	4,401,721	7,167,970	2,598,599
2.1 Profit Share Expense on Participation Accounts		11,022,750	3,447,323	6,399,165	2,055,284
2.2 Profit Share Expense on Funds Borrowed		519,262	258,562	349,081	144,635
2.3 Profit Share Expense on Money Market Borrowings		175,066	315,288	93,854	213,112
2.4 Expense on Securities Issued		572,851	349,518	302,996	171,241
2.5 Lease Profit Share Expense		41,350	22,239	22,479	12,090
2.6 Other Profit Share Expenses		2,230	8,791	395	2,237
III. NET PROFIT SHARE INCOME/EXPENSE (I - II)		2,521,951	4,185,621	1,024,624	2,084,349
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		581,228	143,200	413,625	76,889
4.1 Fees and Commissions Received		711,479	210,746	475,666	115,420
4.1.1 Non-cash Loans		211,539	129,451	113,997	71,646
4.1.2 Other		499,940	81,295	361,669	43,774
4.2 Fees and commissions paid(-)	(-)	130,251	67,546	62,041	38,531
4.2.1 Non-cash Loans		-	-	-	-
4.2.2 Other		130,251	67,546	62,041	38,531
V. DIVIDEND INCOME	(3)	-	774	-	774
VI. NET TRADING INCOME (Net)	(4)	1,116,557	43,417	903,417	16,718
6.1 Capital Market Transaction Gains / Losses		(13,452)	(649)	(16,188)	(1,325)
6.2 Gains/ Losses From Derivative Financial Instruments		122,815	50,959	56,433	(387)
6.3 Foreign Exchange Gains / Losses		1,007,194	(6,893)	863,172	18,430
VII. OTHER OPERATING INCOME	(5)	1,528,017	481,951	284,609	194,509
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		5,747,753	4,854,963	2,626,275	2,373,239
IX. EXPECTED CREDIT LOSSES (-)	(6)	1,626,622	820,018	682,607	371,281
X. OTHER PROVISIONS (-)	(6)	41,052	418,674	18,583	310,494
XI. PERSONNEL EXPENSES (-)		967,085	318,499	552,724	134,955
XII. OTHER OPERATING EXPENSES (-)	(7)	1,749,500	325,638	814,160	182,694
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		1,363,494	2,972,134	558,201	1,373,815
XIV. INCOME RESULTED FROM MERGERS		-	-	-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATION(XIII+...+XVI)	(8)	1,363,494	2,972,134	558,201	1,373,815
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(204,900)	(860,553)	(397,687)	(456,665)
18.1 Current Tax Provision		-	(1,207,974)	-	(616,849)
18.2 Expense Effect of Deferred Tax (+)		(720,734)	(16,572)	(274,134)	(9,560)
18.3 Income Effect of Deferred Tax (-)		515,834	363,993	(123,553)	169,744
XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)	(10)	1,158,594	2,111,581	160,514	917,150
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-	-
20.1 Income from Assets Held for Sale		-	-	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
20.3 Income from Other Discontinued Operations		-	-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-	-
21.1 Expenses on Assets Held for Sale		-	-	-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-	-
21.3 Expenses from Other Discontinued Operations		-	-	-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XX-XXI)		-	-	-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-	-	-
23.1 Current Tax Charge		-	-	-	-
23.2 Expense Effect of Deferred Tax (+)		-	-	-	-
23.3 Income Effect of Deferred Tax (-)		-	-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXII±XXIII)		-	-	-	-
XXV. NET PROFIT/LOSS (XIX+XXIV)	(11)	1,158,594	2,111,581	160,514	917,150
Earnings per share income/loss (Full TRY)		0,2335	1,0234	(0,0795)	0,3410

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 1 January - 30 June 2023	Prior Period 1 January - 30 June 2022
I. CURRENT PERIOD PROFIT/LOSS	1.158.594	2.111.581
II. OTHER COMPREHENSIVE INCOME	(1.524.349)	834.809
2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss	853	828
2.1.1 Tangible Assets Revaluation Increase/Decrease	-	-
2.1.2 Intangible Assets Revaluation Increase/Decrease	-	-
2.1.3 Defined Benefit Plans' Actuarial Gains/Losses	-	-
2.1.4 Other Income/Expense Items not to be Recycled to Profit or Loss	853	828
2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-	-
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	(1.525.202)	833.981
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(2.033.602)	1.111.975
2.2.3 Gains/losses from Cash Flow Hedges	-	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	508.400	(277.994)
III. TOTAL COMPREHENSIVE INCOME (I+II)	(365.755)	2.946.390

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

1. Increases and decreases in Tangible and Intangible Assets Revaluation Reserve

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Total Equity Excluding Minority Shares	Minority Shares	Total Equity
	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit or (Loss)	Current Period Net Profit or Loss		
PRIOR PERIOD															
30 June 2022															
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735	4.321.735
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1. Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I-II)	1.750.000	-	-	261.513	-	(6.895)	-	-	19.257	-	1.739.171	558.689	-	4.321.735	4.321.735
IV. Total Comprehensive Income	-	-	-	-	-	-	828	-	833.981	-	-	-	2.111.581	-	2.946.390
V. Capital Increase by Cash	900.000	-	-	-	-	-	-	-	-	-	-	-	-	-	900.000
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-
11.1. Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	558.689	(558.689)	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV.....+X+XI)	2.650.000	-	-	261.513	-	(6.895)	828	-	853.238	-	2.297.860	-	2.111.581	8.168.125	8.168.125
CURRENT PERIOD															
30 June 2023															
I. Prior Period End Balance	2.650.000	-	-	261.513	-	(94.366)	289	-	2.422.877	-	2.297.860	3.840.272	-	11.378.445	11.378.445
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)	2.650.000	-	-	261.513	-	(94.366)	289	-	2.422.877	-	2.297.860	3.840.272	-	11.378.445	11.378.445
IV. Total Comprehensive Income	-	-	-	-	-	-	853	-	(1.525.202)	-	-	-	1.158.594	-	(365.755)
V. Capital Increase by Cash	4.700.000	-	-	-	-	-	-	-	-	-	-	-	-	-	4.700.000
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/decrease by other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1. Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2. Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3. Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	7.350.000	-	-	261.513	-	(94.366)	1.142	-	897.675	-	2.297.860	3.840.272	1.158.594	15.712.690	15.712.690

2. Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans,

3. Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Not Reclassified Through Profit or Loss))

4. Exchange Differences on Translation

5. Accumulated gains (losses) due to revaluation and/or reclassification of financial assets at fair value through other comprehensive income

6. Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Reclassified Through Profit or Loss)

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2023

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
		Current Period 1 January-30 June 2023	Prior Period 1 January-30 June 2022
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities)		5.215.428	1.518.461
1.1.1 Profit Share Income Received		14.759.546	4.864.866
1.1.2 Profit Share Expense Paid		(9.796.091)	(3.036.195)
1.1.3 Dividend Received		-	774
1.1.4 Fees and Commissions Received		1.532.680	329.818
1.1.5 Other Income		692.354	-
1.1.6 Collections from Previously Written-off Loans		36.818	245.670
1.1.7 Payments to Personnel and Service Suppliers		(967.085)	(318.499)
1.1.8 Taxes Paid		(2.444.250)	(873.383)
1.1.9 Others ^(*)		1.401.456	305.410
1.2 Changes in Operating Assets and Liabilities		(557.365)	6.580.981
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(957.784)	(92.691)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(17.453.189)	(3.191.793)
1.2.3 Net (Increase) / Decrease in Loans		(41.903.001)	(31.685.042)
1.2.4 Net (Increase) / Decrease in Other Assets		(22.292.638)	(3.158.804)
1.2.5 Net Increase / (Decrease) in Bank Funds		374.308	(2.130.458)
1.2.6 Net Increase / (Decrease) in Other Funds		75.874.251	47.755.417
1.2.7 Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net Increase / (Decrease) in Funds Borrowed		2.317.881	783.087
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities		3.482.807	(1.698.735)
I. Net Cash Provided from Banking Operations		4.658.063	8.099.442
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		(9.581.101)	(3.189.848)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		(24.000)	-
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3 Purchases of Tangible Assets		(765.856)	(176.686)
2.4 Disposals of Tangible Assets		31.819	66.058
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(6.264.467)	(4.158.611)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		3.373.461	2.084.317
2.7 Purchase of Financial Assets Measured at Amortized Cost		(5.932.058)	(1.004.926)
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		3.839.902	1.065.261
3.1 Cash Obtained from Funds Borrowed And Securities Issued		8.643.293	7.900.000
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(9.455.712)	(7.710.775)
3.3 Issued Equity Instruments		4.700.000	900.000
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(47.679)	(23.964)
3.6 Other		-	-
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(1)	1.484.318	404.396
V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)	(1)	401.182	6.379.251
VI. Cash And Cash Equivalents At The Beginning Of The Period	(1)	21.154.391	8.059.458
VII. Cash And Cash Equivalents At The End Of The Period	(1)	21.555.573	14.438.709

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in the Official Gazette No. 28337, dated 28 June 2012 and the “Communiqué on Public Disclosures on Risk Management by Banks”, published in the Official Gazette No. 29511, dated 23 October 2015 and amendments to these Communiqué. The Parent Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation.

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

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

The Benchmark Interest Rate Reform, which brings changes to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16, has been published, effective from 1 January 2022 with the amendments made, certain exceptions are provided in the basis used in determining the contractual cash flows and in the hedge accounting provisions. The Bank has participated in international protocols within the scope of IBOR transformation. The Benchmark Interest Rate Reform process continues and the Bank continues to work within the scope of adaptation to the changes.

The Public Oversight Authority made a statement on the Application of Financial Reporting in High Inflation Economies within the scope of Turkish Financial Reporting Standards on January 20, 2022. Accordingly, it has been stated that companies applying TFRS do not need to make any adjustments in their financial statements for 2021 within the scope of TAS 29 Financial Reporting in High Inflation Economies.

As of 30 June 2023, no new announcement has been made by KGK in this context, and no inflation adjustment has been made according to TAS 29 while preparing the financial statements dated 30 June 2023.

The tension between Russia and Ukraine since the beginning of 2022 has turned into a crisis and a hot conflict and continues as of the date of the report. The Bank does not have operations in either country, and the said crisis is not expected to have a direct impact on the Bank's operations. Developments are followed and their estimated effects are evaluated within the scope of the relevant accounting standards and reflected in the financial statements.

The effects of the earthquake disaster that occurred in Kahramanmaraş and surrounding provinces in February 2023 have been reviewed, and its effects on the financial statements are followed closely.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

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

III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES

Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Parent Bank has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies. Control is when the Parent Bank directly or indirectly owns the majority of the capital in a legal entity, or if it does not have the majority, or if it holds the majority of the voting rights based on agreements with other shareholders, or to appoint the majority of the members of the board of directors in any way, or considered to have the power to dismiss.

Subsidiaries are consolidated using the full consolidation method, within the framework of the principle of materiality on the basis of their operating results, assets and equity sizes.

Subsidiaries are included in the scope of consolidation from the date on which control over their operations is transferred to the Group and will be excluded from the scope of consolidation on the date that control ceases. When deemed necessary, the accounting policies applied for subsidiaries may be changed to ensure consistency with the accounting policies applied by the Group.

According to the full consolidation method, 100% of the balance sheet, profit or loss statement and off-balance sheet items of the subsidiaries are consolidated with the balance sheet, profit or loss statement and off-balance sheet items of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary's capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. There are no minority rights in the consolidated net income of the subsidiary.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (Continued)

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

30 June 2023				
Title	Address (City / Country)	Main Activities	Group’s Share Percentage (%)	Direct and Indirect Partnership Rates (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Türkiye	Issuance of Lease Certificate	100	100

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

2. Consolidation principles of associates and joint ventures:

As of 30 June 2023, the Group has no subsidiaries and jointly controlled entities.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

Derivative financial instruments are initially recorded at their fair values. In the periods following the recording of derivative transactions; Depending on whether the fair value is positive or negative, the fair value difference of derivative financial assets is reflected to profit or loss or the fair value difference of derivative financial liabilities is reflected in the balance sheet. Differences in fair value as a result of the valuation are accounted for under profit/loss from derivative financial transactions and foreign exchange gain/loss in the commercial profit/loss item in the profit or loss statement.

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share income is recognized according to the internal rate of return method, which equates to the present net value of the future cash flows of the financial asset determined in TFRS 9, and is recorded on an accrual basis.

The Parent Bank has started to calculate rediscount for its non-performing loans as of 1 January 2018. Rediscount is calculated over the net book value of the non-performing receivables (Gross Book Value - Expected Loss Provision).

The Parent Bank accounts for its profit share expenses on an accrual basis. Expense accruals are calculated according to the unit value calculation method over the participation accounts and these amounts are shown in the “Funds Collected” in the balance sheet.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

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

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

The Bank classifies its financial assets as "Fair Value Through Profit/Loss", "Fair Value Through Other Comprehensive Income" or "Measured at Amortized Cost". Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition. Financial assets basically constitute the commercial activities and operations of the Bank. These instruments have the feature of revealing, influencing and reducing the liquidity and credit risk in the financial statements.

Classification and Measurement under TFRS 9

In accordance with TFRS 9 Financial Instruments Standard, financial assets are measured at amortized cost, fair value through other comprehensive income and fair value through profit or loss by;

"Business Model Assessment" and "Contractual Cash Properties Test" are performed to determine the classification of financial assets.

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

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

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. Gains and losses resulting from the valuation are included in the profit/loss accounts.

Among the financial assets whose fair value difference is reflected in profit or loss, lease certificates traded in BIST are valued at the weighted average clearing prices formed in BIST at the balance sheet date, and financial assets not traded in BIST are valued with the prices of the Central Bank of Türkiye. Gains and losses resulting from the valuation are included in the profit/loss accounts.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets at fair value through other comprehensive income

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

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

Equity investments

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

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

c. Financial assets measured at amortized cost:

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

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

The Group's portfolio of securities at fair value through other comprehensive income and measured at amortized cost includes consumer price ("CPI") indexed lease certificates. The valuation of the said securities is made according to the internal yield method based on the real profit share rates and the index value announced by the treasury.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

Loans

Loans consist of financial assets created by providing goods or services to the borrower. The first recording of the loans is made with their cost values and after they are recorded, they are measured with their amortized values using the "internal rate of return method".

Cash loans; are accounted according to their original balances in the accounts specified in the Uniform Chart of Accounts and Prospectus, according to type, maturity and collateral structures. Foreign currency loans are recorded at a fixed price and are evaluated with the Bank's counter foreign exchange buying rate. The repayments of the foreign currency indexed loans, which were used in TRY over the Bank's counter foreign exchange buying rate valid on the date of use, are collected in TRY equivalents calculated over the Bank's counter foreign exchange sales rate valid on the installment collection date.

As of 30 June 2023, all loans of the Group, including its profit-loss partnership (musharakah) investments, are followed in the "Measured by Amortized Cost" account. The profit and loss partnership (musharakah) and labor capital partnership investments followed by the Bank in the loans account according to the BRSA Uniform Chart of Accounts, with the BRSA's letter numbered E-43890421-010.07.01-1294, those that will be valued for the first time as of 31 December 2022 or from 1 January 2021 new implementation of "Interest-Free Finance Accounting Standard 3: Mudaraba Financing" or "Interest-Free Finance Accounting Standard 4: Musharakah Financing" for partnership financing funds in the form of "labor-capital partnership" (mudaraba) or "profit-loss partnership" (musharakah) accounted in accordance with the provision.

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

The Parent Bank does not allocate impairments in accordance with TFRS 9 from 1 January 2018 for its loans and receivables by taking into consideration the "Regulation on the Classification of Loans and the Procedures and Principles Regarding the Provisions to be Set Aside" (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750.

In this context, the Group takes into consideration the general structure of the loan portfolio, the financial structure of the customers, the non-financial data and the economic conjuncture in line with the credit risk policies and prudence principle when determining its estimates.

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

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

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TRY"))

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

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

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

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

Provision for 12 month expected credit loss (Stage 1)

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

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

Significant increase in credit risk (Stage 2)

Financial assets are transferred to stage 2 if it is determined that there is a significant increase in credit risk. While the expected loss allowance is calculated for 1 year for loans in stage 1, the expected loss allowance for loans in stage 2 is calculated by taking into account all remaining maturity.

The main criteria taken into account in determining the significant increase in the credit risk of the financial asset and its transfer to the 2nd stage are that it is under close monitoring, that the number of delay days is 30 days or more, and the Bank's internal early warning system rating.

Default (Stage 3)

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

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

- Objective Default Definition: Means the debt is overdue for more than 90 days. With the debt 90 days overdue, the default situation starts on the 91st day.
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid. In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

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

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

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

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

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time.

In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

Default Amount

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

Loss Given Default

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

Future Expectations

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

The Group uses 3 scenarios as base, bad and good for future expectations. All 3 scenarios have predetermined weights. The Bank updates the macroeconomic variables used in the assessment of significant increase in credit risk and in the calculation of expected credit loss, quarterly in March, June, September and December, and applies them to its models. As of June 30, 2022, macroeconomic variables, which are taken as a basis in the calculation of expected credit losses and including the effect of COVID-19, are reflected in the models.

The Methodology of Behavioral Maturity Calculation

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Write-off Policy

The amendment with respect to the regulation "Regulation on the Amendment of the Regulation on the Classification of Loans and the Procedures and Principles Regarding the Classification of Loans and Provisions for These" entered into force with its publication in the Official Gazette No.31533 on 6 July 2021. Pursuant to the regulation, the banks are enabled to write down and move off the balance sheet the portion of a loan which is classified as "Group V Loan" (Loans Classified as Loss) within the period deemed appropriate by the bank specific to the situation of the debtor, if it cannot reasonably be expected to be recovered. Since the reporting period, it can be written-off from the records under TFRS 9. The write-off is an accounting policy and does not result in the waiver of the right to receivable. Within the scope of the said amendment, no credit has been deducted from the records by the Bank as of the current period.

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Türkiye ("CBRT") made some changes on orders for open market transactions ("OMT") and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of 30 June 2023, there are no securities lending transactions (31 December 2021: None). Securities sold under agreements for repurchase agreements ("Repos") are classified as "Fair Value Through Profit or Loss", "Fair Value Through Other Comprehensive Income" and "Financial Asset Measured at Amortized Cost" in the portfolio of the bank, according to the purposes of the Bank, and they are subject to valuation according to the portfolio which are belong. Funds obtained in return for repo agreements are accounted in "Money Markets Receivables" account and interest expense accruals for the period are calculated with the effective interest rate method.

Securities transactions purchased with a commitment to resell are accounted for under the "Money Market Receivables" item in the balance sheet, and participation share rediscounts for the period are calculated according to the internal yield method.

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XI. EXPLANATIONS ON ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS AND RELATED LIABILITIES (Continued)

The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan. Various events or circumstances may extend the completion time of the sale transaction beyond one year. Assets continue to be classified as held for sale if there is sufficient evidence that the delay is due to events or conditions beyond the Bank's control and that the Bank's plan to sell the related asset (or disposal group) is in progress is done. The real estates acquired by the Bank due to its receivables are shown in the asset held for sale line in the financial statements, depending on the conclusion of the forward sales contract.

A discontinued operation is a part of a business that is classified as either to be disposed of or held for sale. Results of discontinued operations are presented separately in the income statement. The Bank has no discontinued operations.

As of 30 June, 2023, the Bank's non-current assets held for sale are TRY 280.729 (31 December 2022: TRY 274.644).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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

XIII. EXPLANATIONS ON TANGIBLE ASSETS

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIII. EXPLANATIONS ON TANGIBLE ASSETS (Continued)

Applied depreciation rates are as follows;

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

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

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

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

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

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

Right of use;

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

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

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

Lease Liabilities:

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

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

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

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

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

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

The Group benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 30 June 2023, the Bank's employee termination benefit is TRY 149.020 (31 December 2022: TRY 125.764).

Communiqué on "Turkish Accounting Standard ("TAS19") about Benefits for Employee (No:9)" published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority ("POA") on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TRY 94.366 was classified under shareholders' equity in the financials. (31 December 2022: TRY 94.366 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 30 June 2023 unused vacation liability of the Bank is TRY 35.000 (31 December 2022: TRY 28.175).

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

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

Some of the Bank's personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees' Pension Fund ("Fund") which was established by 20th provisional article of Social Security Law Act numbered 506. In accordance with 23rd provisional clause of the Banking Law numbered 5411, the pension fund established within Social Security Law is expected to be transferred to the Social Security Institution by three years following the declaration of the Banking Law numbered 5411. Procedures and principles of the transfer are determined by the decision of Council of Ministers numbered 2006/11345 dated 30 November 2006. However, the 1st paragraph of the 1st article of the 23rd provisional clause of Banking Law numbered 5411 allowing pension funds to be transferred to Social Security Institution ("SSI") is annulled following the resolution of Constitutional Court declared in the Official Gazette dated 31 March 2007 numbered 26479 E.2005/139, K.2007/13 and K.2007/33.

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

The technical balance sheet report as of 31 December 2022 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION

a. Current tax

As of 30 June 2023 the corporate tax rate has been applied as 25% in the financial statements. In accordance with the Law No. 7316 published in the Official Gazette dated 22 April 2021, "The corporate tax rate has been increased to 25% for the taxation period of 2021, starting from the declarations that must be submitted as of 1 July 2021 and being effective for the taxation period starting from 1 January 2021 and this rate has been determined as 23% for the taxation period of 2022. However, with the publication of the Law No. 7394 in the Official Gazette dated 15 April 2022, banks, consumer finance companies, factoring and financial leasing companies, electronic payment and money institutions, authorized foreign exchange institutions, asset management companies, capital market institutions, insurance and reinsurance companies The corporate tax rate for pension companies has been permanently increased to 25%, and this change will be valid for returns to be submitted after 1 July 2022. Therefore, as of the first quarter of 2022, the tax rate to be taken into account in the calculation of corporate tax is 23%, and the tax rate to be applied to the cumulative earnings of 2022 in the second quarter and following periods of 2022 had taken into account as 25%. In accordance with Article 21 of the Law No. 7456 published in the Official Gazette dated 15 July 2023 and numbered 32249, starting from the declarations that must be submitted as of 1/10/2023; the corporate tax rate to be applied to the profits of corporations in 2023 and the following taxation periods has been increased from 25% to 30% for banks and other institutions mentioned in the law. The corporate tax rate is applied to the tax base to be found as a result of the addition of the non-deductible expenses in accordance with the tax laws to the commercial income of the corporations, and deducting the exceptions (such as the participation earnings exemption) and deductions in the tax laws. No further tax is paid if the profit is not distributed.

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

Corporations calculate advance tax quarterly on their financial profits at the corporate tax rate valid for that year and declare and pay until the 17th day of the second month following that period. Advance tax paid by corporations for the current period is offset against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be used to offset any other financial liabilities to the government.

According to 5.1.e. article of Corporation Tax Law which is important tax exemption that is applied by banks, corporations' 50% of revenues that occur from selling of their real estates, are in assets, that belong to the corporations at least two years (730 days), 75% of revenues that occur from selling their founding bonds that are belong to the corporations as long as time of participation stocks, redeemed shares and option to call are exempted from corporation tax (It was changed with 89th article of code 7061 that entries into force in 5 December 2017).

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

Taxes which do not accrue on time because the applying exemption for the transfer of the exempted part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code). Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warranters' real estates, participation stocks, founding bonds, redeemed shares, options to call of mortgagors' revenues that used for against debts or transferring to SDIF, 50% of the profits arising from the sale of the said assets obtained by the banks in this way, and 75% of the profits arising from the sale of others are exempted from corporation tax.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

a. Current tax (Continued)

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

As of the end of the 2021 calendar year, the conditions sought for inflation adjustment in the calculation of corporate tax have been fulfilled, within the framework of the repeated provision of Article 298/A of the Tax Procedure Law. However, with the regulation made with the Law No. 7352 dated 20 January 2022, the application of inflation adjustment in the calculation of corporate tax was postponed to 2023. According to this; TPL financial statements for the 2021 and 2022 accounting periods, including the provisional tax periods, have not been adjusted for inflation, and for the 2023 accounting period; It will not be subject to inflation adjustment as of the temporary tax periods, and the TPL financial statements dated 31 December 2023 will be subject to inflation adjustment regardless of whether the inflation adjustment conditions are met or not. Profit/loss difference arising from inflation adjustment in VUK financial statements will be shown in previous years' profit/loss accounts and will not affect the corporate tax base. With the arrangement made in the Repeated 298/D and Provisional Articles 32 of the Tax Procedure Law, companies have been given the opportunity for permanent and temporary revaluation. Accordingly, as of the beginning of the 2022 accounting period, our Bank first brought its fixed assets registered in its assets to their current values in accordance with the Provisional Article 32 of the TPL, and then revalued them in accordance with the repetitive article 298/Ç of the TPL. As a result of these transactions, the tax depreciation figures that will be subject to corporate tax will be calculated over the revalued current amounts. In accordance with the relevant legislation, the value increase amounts are shown in a special fund account under shareholders' equity.

As a result of these transactions, the tax depreciation figures that will be subject to corporate tax will be calculated over the revalued current amounts. In accordance with the relevant legislation, the value increase amounts are shown in a special fund account under shareholders' equity.

b. Deferred tax

The Parent Bank calculates and accounts deferred tax in accordance with TAS 12 "Turkish Accounting Standard on Income Taxes" for temporary differences between the accounting policies and valuation principles applied and the tax basis determined in accordance with the tax legislation. With the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, which was published in the Official Gazette dated April 15, 2022 and numbered 31810, and the Law on Amendments to Some Laws and Decree-Laws, with Article 26 of the Law No. 5520 With the paragraph added to the temporary article 13 of the Corporate Tax Law, the Corporate Tax rate was rearranged for the corporate earnings of the 2023 taxation period and it was stated that the tax rate would be applied as 25% for the banks. In accordance with Article 21 of the Law, starting from the declarations that must be submitted as of October 1, 2023; The corporate tax rate to be applied to the profits of corporations in 2023 and the following taxation periods has been increased from 25% to 30% for banks and other institutions mentioned in the law.

Deferred tax liability or assets are determined by calculating the tax effects of the temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the calculation of the legal tax base, according to the balance sheet method, taking into account the enacted tax rates. In the calculation of deferred tax, the Bank estimates the time when temporary differences will be taxable/deductible and uses enacted tax rates as of the balance sheet date in accordance with the current tax legislation. As the deferred tax assets or liabilities within the scope of TAS 12 are calculated based on the tax rates (and tax laws) that are in effect or nearly effective as of the end of the reporting period (balance sheet date), using the tax rates expected to be applied in the periods when the assets are converted into income or the liabilities are paid, the Bank has as of 30 June 2023, deferred tax calculations were made based on rates varying %25 on assets and liabilities. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from these differences by generating taxable profit in the future. Except for goodwill or business combinations, deferred tax liability or asset is not calculated for temporary timing differences arising from the initial recognition of assets or liabilities and which do not affect both commercial and financial profit or loss.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

b. Deferred tax (Continued)

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

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

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

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

As of January 1, 2018, deferred tax assets have been started to be calculated over the expected loss provisions that constitute temporary difference within the framework of TFRS 9 provisions. Deferred tax calculations are not made for free provisions.

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

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

The Bank received from TC Ziraat Bankası A.Ş. on 28 March 2019 in the amount of TRY 300.000; In the amount of TRY 500.000 on April 15, 2021; on November 17, 2021, it provided a loan amounting to TRY 500.000 as a contribution capital.

On April 24, 2019, with the approval of the BRSA on April 22, 2019, the Bank obtained EUR 100.000 from Türkiye Wealth Fund Market Stability and Balance Sub-Fund; with the approval of the BRSA on March 9, 2022, a subordinated loan amounting to EUR 57.039 is provided within the scope of demand and non-profit additional capital.

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

There are no issued shares by the Parent Bank as of balance sheet date.

XX. EXPLANATIONS ON ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXII. EXPLANATIONS ON RELATED PARTIES

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

XXIII. EXPLANATION ON CASH AND CASH EQUIVALENT

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

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

XXIV. EXPLANATION ON SEGMENT REPORTING

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

XXV. EXPLANATIONS ON OTHER MATTERS

None.

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SECTION FOUR

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY

Equity amount and capital adequacy standard ratio, within the framework of “Regulation on Banks’ Equity” and “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” and in addition to these, the following regulations of the BRSA;

- In accordance with the Decision of the Banking Regulation and Supervision Agency dated 28 April 2022 and numbered 10188, the Central Bank’s foreign exchange buying rate of 31 December 2021 was used while calculating the valued amounts in foreign currency in calculating the amount subject to credit risk.

- In case the net valuation differences of the securities held by banks in the portfolio of “Securities at Fair Value Reflected in Other Comprehensive Income” within the framework of the regulation dated 21 December, 2022 and numbered 9996 are negative, these differences may not be taken into account in the equity amount. The said exception was not used in the 30 June 2023 equity calculation.

The current period equity amount calculated as of 30 June 2023, taking into account the latest regulations, is 20.310.562 TRY (31 December 2022: 15.901.345 TRY) and the capital adequacy standard ratio is 14,57% (31 December 2021: 15,42%). The capital adequacy standard ratio of the Parent Bank is above the minimum ratio determined by the relevant legislation.

Information Related To The Components of Shareholders’ Equity:

	Current Period 30 June 2023	Prior Period 31 December 2022
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	7.350.000	2.650.000
Share issue premiums	-	-
Reserves	2.297.860	2.297.860
Gains recognized in equity as per TAS	1.788.294	3.673.072
Profit	4.998.866	3.840.272
Current Period Profit	1.158.594	3.840.272
Prior Period Profit	3.840.272	-
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	16.435.020	12.461.204
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	433.122	282.676
Improvement costs for operating leasing	505.670	98.174
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	476.953	342.454
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 15% or less of the issued common share capital exceeding 15% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 15% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 15% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30 June 2023	Prior Period 31 December 2022
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
E Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier I Capital	1,415,745	723,304
Total Common Equity Tier I Capital	15,019,275	11,737,900
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	3,166,507	2,257,081
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions		
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	3,166,507	2,257,081
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	18,185,782	13,994,981
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	1,300,000	1,300,000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	847,004	615,573
Tier II Capital Before Deductions	2,147,004	1,915,573
Deductions From Tier II Capital	-	-
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	-
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	-
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Other items to be defined by the BRSA (-)	-	-
Total Deductions from Tier II Capital	-	-
Total Tier II Capital	2,147,004	1,915,574
Total Capital (The sum of Tier I Capital and Tier II Capital)	20,332,786	15,910,555

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30 June 2023	Prior Period 31 December 2022
Total of Original Capital and Supplementary Capital (Total Capital)	20.332.786	15.910.555
Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law	-	-
Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	-
Other items to be defined by the BRSA	22.224	9.210
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	-
TOTAL CAPITAL		
Total Capital (Total capital and contribution capital)	20.310.562	15.901.345
Total risk weighted amounts	139.444.091	102.160.655
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10,77	11,49
Tier 1 Capital Adequacy Ratio (%)	13,04	13,70
Capital Adequacy Ratio (%)	14,57	15,57
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2,50	2,50
a) Capital conservation buffer requirement (%)	2,50	2,50
b) Bank specific counter-cyclical buffer requirement (%)	0,00	0,00
c) Systemic significant bank buffer ratio (%)	0,00	0,00
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	6,27	6,99
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before ten thousand twenty five limitation)	847.004	615.573
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	847.004	615.573
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

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

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

^(*) Profit share for participation banks.

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 500 Million
Par value of instrument	TRY 500 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	16 April 2021
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (No conditional defund.)
Subsequent call dates, if applicable	-
Coupons/dividends (*)	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	18,00%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 8
Details of incompliance with article number 7 and 8 of “Own fund regulation”	-

(*) Profit share for participation banks.

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 500 Million
Par value of instrument	TRY 500 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	17 November 2021
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (No conditional defund.)
Subsequent call dates, if applicable	-
Coupons/dividends (*)	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	17,75%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 8
Details of incompliance with article number 7 and 8 of “Own fund regulation”	-

(*) Profit share for participation banks.

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 2.186 Million
Par value of instrument	TRY 2.799 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	24 April 2019
Perpetual or dated	Undated
Original maturity date	24 April 2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
Coupons/dividends (*)	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7

(*) Profit share for participation banks

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Validity status on a consolidated or non-consolidated basis or on both a consolidated and non-consolidated basis	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TRY 981 Million
Par value of instrument	TRY 1.597 Million
Accounting classification	Liabilities/Subordinated Loan
Original date of issuance	9 March 2022
Perpetual or dated	Undated
Original maturity date	9 March 2022
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (Subject to BRSA permission.)
Subsequent call dates, if applicable	-
Coupons/dividends (*)	
Fixed or floating dividend/coupon	None
Coupon rate and any related index	None
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	None
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	In Compliance with Article number 7
Details of 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 30 JUNE 2023

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Equity value of balance sheet	15.712.690	11.378.445
Cost of development of operating lease	(505.670)	(98.174)
Goodwill and other intangible assets and related deferred tax liability	(476.953)	(342.454)
Debt instruments and premiums approved by BRSA	1.300.000	1.300.000
Tier II Capital (Provisions)	847.004	615.573
Debt instruments and premiums approved by BRSA –subordinated loans	3.166.507	2.257.081
Other values deducted from equity	(22.224)	(9.210)
Other	289.208	800.084
Amount taken into consideration in the calculation of legal equity	20.310.562	15.901.345

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK

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

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

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

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

None.

- c) Foreign currency risk policy:

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
30.06.2023	25,5962	27,9943	17,0280	3,7408	2,3799	28,5420	19,2853	2,3764	32,5939	6,7737	17,6320
27.06.2023	25,5962	27,9943	17,0280	3,7408	2,3799	28,5420	19,2853	2,3764	32,5939	6,7737	17,6320
26.06.2023	25,2395	27,5283	16,7656	3,6789	2,3459	28,1410	18,9919	2,3459	32,0765	6,6793	17,4040
25.06.2023	24,6540	26,8208	16,3693	3,5839	2,2815	27,3873	18,5049	2,2568	31,3226	6,5233	16,9820
22.06.2023	23,9253	26,2194	16,0950	3,5025	2,2253	26,6133	17,9880	2,2435	30,4900	6,3307	16,5880
21.06.2023	23,1511	25,3617	15,5972	3,3883	2,1522	25,8184	17,3861	2,1547	29,4733	6,1250	16,1350

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100JPY
23,3652	25,3335	15,6327	3,3842	2,1622	25,9072	17,4348	2,1566	29,5485	6,1831	16,3765

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

Information on the foreign currency risk of the Bank:

	Euro	USD	Other FC ^(***)	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Türkiye	9.773.053	19.915.036	4.509.003	34.197.092
Banks	2.036.754	4.718.176	3.024.095	9.779.025
Financial assets at fair value through profit and loss	-	-	3.097.240	3.097.240
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	421.023	4.675.115	-	5.096.138
Loans ^(*)	38.076.134	39.751.874	1.076	77.829.084
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	3.744.319	-	-	3.744.319
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	1.257	1.257
Intangible assets	-	-	-	-
Other assets	67.451	23.320	164.151	254.922
Total assets	54.118.734	69.083.521	10.796.822	133.999.077
Liabilities				
Current account and funds collected from Banks via participation accounts	47.489	23.160	1.137	71.786
Current and participation accounts FC	43.959.283	55.071.730	9.990.712	109.021.725
Money market borrowings	-	10.274.532	-	10.274.532
Funds provided from other financial institutions	3.675.006	2.669.680	-	6.344.686
Marketable securities issued ^(****)	-	-	-	-
Miscellaneous debts	1.600.598	617.941	830	2.219.369
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities ^(****)	4.392.883	284.283	242.260	4.919.426
Total liabilities	53.675.259	68.941.326	10.234.939	132.851.524
Net balance sheet position	443.475	142.195	561.883	1.147.553
Net off-balance sheet position ^(**)	(559.886)	(924.560)	-	(1.484.446)
Financial derivative assets	-	560.022	-	560.022
Financial derivative liabilities	559.886	1.484.582	-	2.044.468
Net position	15.680.022	15.079.331	1.884.933	32.644.286
Non cash loans				
Prior Period	34.862.521	46.065.145	7.663.457	88.591.123
Total assets	31.644.082	44.780.856	7.469.463	83.894.401
Total liabilities	3.218.439	1.284.289	193.994	4.696.722
Net balance sheet position	(2.993.145)	(1.964.608)	-	(4.957.753)
Net off-balance sheet position	-	2.934.895	-	2.934.895
Financial derivative assets	2.993.145	4.899.503	-	7.892.648
Financial derivative liabilities	10.299.536	12.324.700	997.528	23.621.764

(*) Foreign currency indexed loans amounting to TRY 153.481 (31 December 2022: 163.733 TRY) which are displayed as TRY in the consolidated financial statements, are shown with the relevant foreign currency code. Includes receivables from lease transactions.

(**) Shows the net of receivables from derivative financial instruments and payables from derivative financial instruments.

(***) The currencies in the other FX column of the assets section consist of 82% Gold, 3% GBP, 2% CHF and the remaining 13% other currencies.

The foreign currencies in the FX column of the liabilities section consist of 85% Gold, 2% GBP, 2% CHF and the remaining 11% other currencies.

(****) Provisions and liabilities from lease transactions are included.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

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

III. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

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

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

According to the standard method of credit risk, equity investments in banking accounts are TRY 52.341 all of which are 100% risk weighted (31 December 2022: TRY 52.341).

IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

1) LIQUIDITY RISK:

a) Basis for the current liquidity risk of the Bank and whether the necessary measures taken, limitations imposed by the Bank's Board of Directors on fund sources that can be used in payment of matured debts and can meet the immediate liquidity need:

The Parent Bank's fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to paid back to the holder of account, and participation rates to profit or loss that results from funds to be operated are reflected to the related accounts. For this reason, the assets and liabilities of the Bank are compatible with the dividend rates.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****1) Liquidity Risk (Continued)**

- b) Payments, whether assets and liabilities are compatible with the rate of profit, whether the measurement of the probable effects of the actual inconsistency on profitability is done or not:**

Payments, assets and liabilities and profit rates are monitored regularly by the management to track whether it is compatible or not and there is no dissonance whatsoever.

- c) The banks internal and external sources to meet the short and long-term liquidity needs, unused significant liquidity sources:**

Although the Parent Bank's assets average maturity is longer than collected funds, most of the securities, available for sale and held to maturity, make periodic coupon payment which is no longer than six months and monthly credit receivables payments provide cash flow to the Bank.

- d) Evaluation of the banks cash flow rates and its sources:**

The Parent Bank's main source is the participation funds, these funds are evaluated at other participation banks and loan placements. The banks most important cash inflows are receivables from banks and financial institutions and regular cash inflows from these institutions are seen as a factor that reduce the liquidity risk. Also monthly installment payments for loans are used to meet the Bank's resource needs.

2) Liquidity Coverage Ratio:

Liquidity coverage ratio, established in order to hold and provide premium liquidity asset stock which is adequately fulfill the Bank's net cash outflow, calculated within the scope of "Calculation of The Liquidity Coverage Ratio" regulation that was published by BRSA. Liquidity coverage ratio directly affected by Bank's asset, liability and potential cash inflow and outflow which is derived from off-balance sheet transactions with the level of liquid assets that can be realizable at any time and not mentioned to any collaterals.

The Parent Bank's premium liquidity asset stock; consists of debt securities which is not subjected to any collateral or repurchase agreement transaction and basically export from the Republic of Türkiye's Treasury along with cash assets and care of Central Bank of the Republic of Türkiye's accounts.

The Parent Bank's principal funding source represented by participation funds. Repurchase agreement transaction provided by funds and debts which comes from financial institutions take a part within the external participation fund debt items.

Managing liquidity risk effectively can be possible with preventing the concentrated liquidity asset and liability items. Participation fund, which is the main sourcing for the Bank, is provided from many different customers.

The lowest and highest Liquidity Coverage Ratios in the second quarter of 2023 are listed in the table below.

Current Period	Highest	Date	Lowest	Date
TRY+FC	150,18	24.06.2023	91,00	09.04.2023
FC	296,23	12.05.2023	160,97	26.05.2023

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AS OF 30 JUNE 2023**

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

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

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

Current Period 30 June 2023	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS				
High quality liquid assets	-	-	45.999.306	30.255.146
CASH OUTFLOWS				
Real person deposits and retail deposits	79.010.346	33.519.781	7.774.941	3.475.713
Stable deposit	8.427.584	-	421.379	-
Deposit with low stability	70.582.762	33.519.781	7.353.562	3.475.713
Unsecured debts except real person deposits and retail deposits	111.716.497	45.484.224	53.377.801	20.481.741
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	111.716.497	45.484.224	53.377.801	20.481.741
Secured debts	-	-	-	-
Other cash outflows	63.027.147	30.777.551	8.058.365	5.643.887
Derivative liabilities and margin obligations	5.775.963	4.148.357	4.681.160	4.148.357
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	1.704.400	687.953	599.866	198.468
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	55.546.784	25.941.241	2.777.339	1.297.062
TOTAL CASH OUTFLOW	55.546.784	25.941.241	69.211.107	29.601.341
CASH INFLOWS				
Secured receivables	-	-	-	-
Unsecured claims	36.402.802	15.128.066	25.337.639	12.529.640
Other cash inflows	4.901.935	3.168.404	4.901.935	3.168.404
TOTAL CASH INFLOWS	41.304.737	18.296.470	30.239.574	15.698.044
	Upper Limit Applied Values			
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	45.999.306	30.255.146
TOTAL NET CASH OUTFLOWS	-	-	38.971.535	13.903.296
LIQUIDITY COVERAGE RATIO (%)	-	-	118	218

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

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AS OF 30 JUNE 2023**

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

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

Prior Period 31 December 2022	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TRY+FC	FC	TRY+FC	FC
HIGH QUALITY LIQUID ASSETS				
High quality liquid assets	-	-	35.399.664	20.894.954
CASH OUTFLOWS				
Real person deposits and retail deposits	54.779.081	30.878.410	5.491.139	3.199.219
Stable deposit	5.247.141	-	262.357	-
Deposit with low stability	49.531.940	30.878.410	5.228.782	3.199.219
Unsecured debts except real person deposits and retail deposits	77.363.285	31.097.487	36.300.319	13.932.045
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	77.363.285	31.097.487	36.300.319	13.932.045
Secured debts	-	-	-	-
Other cash outflows	47.951.276	26.986.674	7.527.606	6.128.931
Derivative liabilities and margin obligations	5.782.112	4.479.030	4.828.082	4.479.030
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	1.738.426	1.829.199	677.987	615.979
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	40.430.738	20.678.445	2.021.537	1.033.922
TOTAL CASH OUTFLOW	180.093.642	88.962.571	49.319.064	23.260.195
CASH INFLOWS				
Secured receivables	-	-	-	-
Unsecured claims	25.309.625	14.469.279	17.867.325	12.302.886
Other cash inflows	4.893.249	2.500.647	4.893.249	2.500.647
TOTAL CASH INFLOWS	30.202.874	16.969.926	22.760.574	14.803.533
	Upper Limit Applied Values			
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	35.399.664	20.894.954
TOTAL NET CASH OUTFLOWS	-	-	26.558.490	8.456.663
LIQUIDITY COVERAGE RATIO (%)	-	-	133	247

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

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

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

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

2) Liquidity Coverage Ratio (Continued)

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
Current Period 30.June 2023								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Türkiye	13.885.326	25.953.495	-	-	-	-	-	39.838.821
Banks	7.652.855	7.086.553	-	-	-	-	-	14.739.408
Financial Assets at Fair Value Through Profit and Loss	-	-	-	1.872.980	1.224.260	-	-	3.097.240
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	2.209.469	-	1.889.639	13.110.011	1.828.613	52.341	19.090.073
Loans Given (***)	-	21.505.868	28.340.769	75.377.647	70.250.561	17.464.808	217.654	213.157.307
Financial Assets Measured at Amortised Cost	-	-	-	2.855.161	5.393.504	3.588.695	-	11.837.360
Other Assets	-	-	-	-	-	-	4.057.893	4.057.893
Total Assets^(*)	21.538.181	56.755.385	28.340.769	81.995.427	89.978.336	22.882.116	4.327.888	305.818.102
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.206.233	684.735	1.189.300	-	-	-	-	6.080.268
Current and Participation Accounts	41.362.100	126.363.276	58.277.480	24.465.752	132.709	-	-	250.601.317
Funds Provided from Other Financial Instruments	-	1.944.536	306.859	2.717.622	1.521.096	244.809	-	6.734.922
Money Market Borrowings	-	10.639.539	-	-	-	-	-	10.639.539
Issued Marketable Securities ^(***)	-	1.638.240	1.974.725	59	-	-	-	3.613.024
Miscellaneous Debts	-	-	-	-	-	-	2.812.128	2.812.128
Other Liabilities	-	-	-	-	-	1.341.480	23.995.424	25.336.904
Total Liabilities	45.568.333	141.270.326	61.748.364	27.183.433	1.653.805	1.586.289	26.807.552	305.818.102
Liquidity Gap	(24.030.152)	(84.514.941)	(33.407.595)	54.811.994	88.324.531	21.295.827	(22.479.664)	-
Net Off-Balance Sheet Position	-	25.886	-	-	-	-	-	25.886
Receivables From Derivative Financial Instruments	-	2.070.354	-	-	-	-	-	2.070.354
Financial Derivative Liabilities	-	2.044.468	-	-	-	-	-	2.044.468
Non-Cash Loans	11.867.883	3.928.891	7.021.772	23.011.522	13.550.449	2.914.448	-	62.294.965

(*) The expected loss provisions for financial assets and other assets are reflected in the related items.

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

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

(****) Includes receivables from lease transactions.

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

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

2) Liquidity Coverage Ratio (Continued)

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
Prior Period 31 December 2022								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Türkiye	10.739.314	14.214.562	-	-	-	-	-	24.953.876
Banks	10.393.954	2.856.612	-	-	-	-	-	13.250.566
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	2.133.604	-	-	2.133.604
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	4.781	266.243	3.081.833	13.146.001	2.272.531	52.341	18.823.730
Loans Given	-	11.892.416	22.170.993	48.174.367	47.655.682	14.684.515	280.295	144.858.268
Financial Assets Measured at Amortised Cost	-	-	-	-	2.037.537	3.286.406	-	5.323.943
Other Assets	-	-	-	-	-	-	3.012.936	3.012.936
Total Assets(*)	21.133.268	28.968.371	22.437.236	51.256.200	64.972.824	20.243.452	3.345.572	212.356.923
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.139.193	654.156	-	-	-	-	-	4.793.349
Current and Participation Accounts	34.372.256	76.477.299	46.038.191	11.347.111	110.892	-	-	168.345.749
Funds Provided from Other Financial Instruments	-	1.185.619	310.605	1.519.934	1.507.811	-	-	4.523.969
Money Market Borrowings	-	7.555.999	-	-	-	-	-	7.555.999
Issued Marketable Securities(***)	-	1.643.087	2.686.137	65.017	-	-	-	4.394.241
Miscellaneous Debts	-	-	-	-	-	-	2.059.991	2.059.991
Other Liabilities	-	-	-	-	-	1.341.748	19.341.877	20.683.625
Total Liabilities	38.511.449	87.516.160	49.034.933	12.932.062	1.618.703	1.341.748	21.401.868	212.356.923
Liquidity Gap	(17.378.181)	(58.547.789)	(26.597.697)	38.324.138	63.354.121	18.901.704	(18.056.296)	-
Net Off-Balance Sheet Position	-	(40.199)	-	-	-	-	-	(40.199)
Receivables From Derivative Financial Instruments	-	7.852.449	-	-	-	-	-	7.852.449
Financial Derivative Liabilities	-	7.892.648	-	-	-	-	-	7.892.648
Non-Cash Loans	7.551.694	3.602.090	4.642.768	18.453.750	9.017.797	1.923.383	-	45.191.482

(*) The expected loss provisions for financial assets and other assets are reflected in the related items.

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

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

(****) Includes receivables from lease transactions.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

V. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 30 June, 2023, the leverage ratio of the Bank calculated from quarterly average amounts is 5,19% (31 December 2022: 5,39%). The relevant rate is above the minimum rate specified in accordance with the "Regulation on the Measurement and Evaluation of the Leverage Level of Banks". The reason for the change between the leverage ratio in the current period and the previous period is that the average total risk amount increase rate is higher than the increase rate in the average Tier 1 capital. The regulation stipulates the minimum leverage ratio as 3%.

The leverage ratio public disclosure template is as follows:

	Current Period ^(*) 30 June 2023	Prior Period ^(*) 31 December 2022
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	277.912.242	201.004.100
(Assets deducted from main capital)	(1.489.100)	(665.966)
Total risk amount of the balance sheet assets	276.423.142	200.338.134
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	19.062	9.749
Potential credit risk amount of derivative financial instruments and credit derivatives	36.929	63.445
Total risk amount of derivative financial instruments and credit derivative	55.991	73.194
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	10.040.373	6.714.510
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	10.040.373	6.714.510
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	61.386.286	45.415.562
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	61.386.286	45.415.562
Equity and total risk		
Main capital	17.978.880	13.603.083
Total risk amount	347.928.189	252.541.401
Leverage ratio		
Leverage ratio %	5,19	5,39

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

VI. EXPLANATIONS ON SECURITIZATION POSITIONS

None

VII. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the "Communiqué On Disclosures About Risk Management to be Announced To Public By Banks" that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 30 June 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based ("IRB") have not been presented.

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

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

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

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

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

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

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

1. Explanations on Risk Management and Risk-weighted Assets:

Overview of Risk-weighted Assets

		Risk Weighted Amount		Minimum capital Requirement
		Current Period 30 June 2023	Prior Period 31 December 2022	Current Period 30 June 2023
1	Credit risk (excluding counterparty credit risk) (CCR)	129.508.784	97.500.193	10.360.703
2	Standardized approach (SA)	129.508.784	97.500.193	10.360.703
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	82.480	108.268	6.598
5	Standardized approach for counterparty credit risk (SA-CCR)	82.480	108.268	6.598
6	Internal model method (IMM)	-	-	-
7	Basic risk weight approach to internal models equity position in the banking account	-	-	-
8	Investments made in collective investment companies - look-through approach	-	-	-
9	Investments made in collective investment companies – mandate-based approach	-	-	-
10	Investments made in collective investment companies - 1250% weighted risk approach	-	-	-
11	Settlement risk	-	-	-
12	Securitization positions in banking accounts	-	-	-
13	RB ratings-based approach (RBA)	-	-	-
14	IRB Supervisory Formula pproach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	1.428.417	918.455	114.273
17	Standardized approach (SA)	1.428.417	918.455	114.273
18	Internal model approaches (IMM)	-	-	-
19	Operational risk (*)	8.424.411	3.633.740	673.953
20	Basic Indicator approach	8.424.411	3.633.740	673.953
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	139.444.092	102.160.656	11.155.527

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)****2. Explanations on Credit Risk****2.1) Credit Risk Disclosures****a) Credit quality of assets**

		The amount valued in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/ Amortisation and impairments	Net values (a+b-c)
		Defaulted	Non-defaulted		
Current Period 30 June 2023					
1	Loans (*)	1.984.201	214.532.207	3.359.101	213.157.307
2	Debt securities	-	34.213.737	189.063	34.024.674
	Off-balance sheet explosures	-	65.944.871	20.500	65.924.371
4	Total	1.984.201	314.690.815	3.568.664	313.106.352

(*) Financial lease amounting to TRY 43.608.804 is included in the table.

		The amount valued in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/ Amortisation and impairments	Net values (a+b-c)
		Defaulted	Non-defaulted		
Prior Period 31 December 2022					
1	Loans (*)	1.875.741	145.699.564	2.717.036	144.858.269
2	Debt securities	-	26.415.572	134.295	26.281.277
	Off-balance sheet explosures	-	47.301.309	23.253	47.278.056
4	Total	1.875.741	219.416.445	2.874.584	218.417.602

(*) Financial lease amounting to TRY 21.235.324 is included in the table.

b) Changes on defaulted loans and debt securities

Current Period 30 June 2023		
1	Defaulted loans and debt securities at end of the previous reporting period	1.875.741
2	Loans and debt securities that have defaulted since the last reporting period	190.499
3	Returned to non-defaulted status	43.096
4	Amounts written off	-
5	Other changes *	(125.135)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.984.201

Prior Period 31 December 2022		
1	Defaulted loans and debt securities at end of the previous reporting period	1.698.976
2	Loans and debt securities that have defaulted since the last reporting period	621.007
3	Returned to non-defaulted status	45.171
4	Amounts written off	19.016
5	Other changes *	(399.071)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.875.741

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Explanations on Credit Risk (Continued)

2.1) Credit Risk Disclosures

c.) Aging analysis for overdue receivables:

Current Period 30 June 2023	Up to 1 Month	1-2 Month	2-3 Month	3+ Month	Total
Loans and Receivables ⁽¹⁾					
Corporate /Entrepreneurial Loans	267.421	238.018	779.559	286.874	1.571.872
Personal Credit	137.210	17.134	3.532	1.862	159.738
Total	404.631	255.152	783.091	288.736	1.731.610

(*) The Bank's loan amounting to TRY 1.510.586 is under close monitoring.

Prior Period 31 December 2022	Up to 1 Month	1-2 Month	2-3 Month	3+ Month	Total
Loans and Receivables ⁽¹⁾					
Corporate/ Entrepreneurial Loans	165.929	19.596	488.005	140.860	814.390
Personal Credit	79.287	16.686	3.208	238	99.419
Total	245.216	36.282	491.213	141.098	913.809

(*) The Bank's loan amounting to TRY 1.472.544 which is under close monitoring, has no delay.

2.2) Credit risk mitigation

a.) Credit risk mitigation techniques – Overview

Current Period 30 June 2023	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	163.832.827	27.648.129	14.216.504	1.744.086	921.163	-	-
Debt Securities *	31.010.481	-	-	-	-	-	-
Total	194.843.308	27.648.129	14.216.504	1.744.086	921.163	-	-
Of which defaulted *	1.905.823	-	-	-	-	-	-

(*) Based on the article titled "Amendments Regarding the Calculation of Capital Adequacy" dated 31.01.2023 by the BRSA, it has been decided to continue calculating the Credit Risk Subject Amount by using the Central Bank's foreign exchange buying rate of 31 December 2022 until a Board Decision to the contrary is taken. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TRY 21.676.351 Thousand in "Loans", TRY 3.014.195 Thousand in "Borrowing Instruments" and TRY 78.378 Thousand in the "Defaulted" category.

Prior Period 31 December 2022	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	121.871.510	10.188.687	5.123.813	1.920.658	1.285.374	-	-
Debt Securities *	24.356.878	-	-	-	-	-	-
Total	146.228.388	10.188.687	5.123.813	1.920.658	1.285.374	-	-
Of which defaulted *	1.790.512	-	-	-	-	-	-

(*) Based on the BRSA's article on "Pandemic Measures Time Extension" dated 28.04.2022, the simple arithmetic average of the Central Bank's foreign exchange buying rates for the last 252 business days before the calculation date was used in the calculation of the Credit Risk Subject Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of TRY 12.798.072 Thousand in "Loans", TRY 1.924.399 Thousand in "Borrowing Instruments" and TRY 85.229 Thousand in the "Defaulted" category.

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2) Credit Risk Disclosures (Continued)

2.3) Credit risk if standard approach is used

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

The Bank uses the ratings given by the Fitch Ratings International Rating Agency in the risk classes of Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises. In the Risk Class Receivables from Banks, Fitch Ratings are used for Receivables from Banks located abroad, and no rating agency rating is used for the receivables from domestic banks. Our Country rating used for Receivables from Central Governments or Central Banks, Receivables from Regional Governments or Local Governments and Receivables from Administrative Units and Non-Commercial Enterprises corresponds to 3 in the Credit Quality Level, while the ratings used in the Receivables from Banks and Intermediary Institutions risk class are all from 1 to 6. matched with credit quality levels.

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

	Current Period 30 June 2023	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance Sheet amount	Off-balance Sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
1	Risk Classes						
1	Exposures to sovereigns and their central banks	52,772,586	-	53,693,747	2,403	-	0%
2	Exposures to regional and local governments	-	-	-	-	-	0%
3	Exposures to administrative bodies and non-commercial entities	683,342	237,400	683,342	118,468	734,153	92%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	11,834,324	411,677	11,834,325	369,018	2,501,263	20%
7	Exposures to corporates	78,738,556	42,146,492	78,332,814	25,456,608	93,712,648	91%
8	Retail exposures	20,647,411	12,105,970	20,131,722	5,599,785	15,538,276	60%
9	Exposures secured by residential property	5,669,509	170,691	5,669,508	87,534	2,014,965	35%
10	Exposures secured by commercial property	5,456,860	1,719,073	5,456,860	938,318	3,197,589	50%
11	Past-due items	150,535	-	150,535	-	94,781	63%
12	Exposures in high-risk categories	4,686,569	9,349	4,686,569	4,675	9,892,062	211%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	3,972,074	-	3,972,074	-	1,823,047	46%
17	Equity share investments	-	-	-	-	-	0%
18	Total	184,611,566	56,800,652	184,611,566	32,576,809	129,508,784	60%

	Prior Period 31 December 2022	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance Sheet amount	Off-balance Sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
1	Risk Classes						
1	Exposures to sovereigns and their central banks	39,418,258	-	40,703,630	5,330	-	0%
2	Exposures to regional and local governments	-	-	-	-	-	0%
3	Exposures to administrative bodies and non-commercial entities	506,093	39,777	334,150	19,740	349,156	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	9,897,952	834,557	9,897,952	816,668	2,680,534	25%
7	Exposures to corporates	52,981,620	32,395,335	52,364,759	20,065,010	68,080,070	94%
8	Retail exposures	10,603,931	6,593,559	9,935,418	3,062,090	8,850,408	68%
9	Exposures secured by residential property	5,321,207	121,913	5,321,206	57,074	1,882,398	35%
10	Exposures secured by commercial property	4,637,553	979,974	4,637,553	575,242	2,606,397	50%
11	Past-due items	209,537	-	209,537	-	121,651	58%
12	Exposures in high-risk categories	5,891,027	6,665	5,891,027	3,332	11,637,568	197%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	2,953,113	-	2,163,774	-	1,292,011	60%
17	Equity share investments	-	-	-	-	-	0%
18	Total	132,420,290	40,971,780	131,459,006	24,604,486	97,500,193	62%

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2) Credit Risk Disclosures (Continued)

2.3) Credit risk if standard approach is used (Continued)

c) Standard approach: Receivables related with risk classes and risk weights

Current Period Risk Classes/ 30 June 2023	0%	10%	20%	35% Secured by Property Mortgage	50% Secured by Property Mortgage	50% ^(*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	53.696.150	-	-	-	-	-	-	-	-	-	-	53.696.150
Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non- commercial entities	67.613	-	55	-	-	-	-	734.142	-	-	-	801.810
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	12.021.777	-	-	169.316	-	12.250	-	-	-	12.203.343
Exposures to corporates	8.998.380	-	1.347.991	-	-	-	-	93.443.050	-	-	-	103.789.422
Retail exposures	4.864.921	-	239.833	-	-	-	20.546.056	80.767	-	-	-	25.731.577
Exposures secured by residential property	-	-	-	5.757.042	-	-	-	-	-	-	-	5.757.042
Exposures secured by commercial property	-	-	-	-	6.395.178	-	-	-	-	-	-	6.395.178
Past-due items	-	-	-	-	-	111.508	-	39.027	-	-	-	150.535
Exposures in high-risk categories	-	-	-	-	-	-	-	-	451.588	3.994.533	245.123	4.691.244
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	2.149.027	-	-	-	-	-	-	1.823.047	-	-	-	3.972.074
Total	69.776.091	-	13.609.657	5.757.042	6.395.178	280.824	20.546.056	96.132.283	451.588	3.994.533	245.123	217.188.375

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2) Credit Risk Disclosures (Continued)

2.3) Credit risk if standard approach is used (Continued)

c) Standard approach: Receivables related with risk classes and risk weights

Prior Period Risk Classes/ Risk Weight 31 December 2022	0%	10%	20%	35%	50%	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	40.708.960	-	-	-	-	-	-	-	-	-	40.708.960
Exposures to regional and local government	-	-	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non- commercial entities	4.708	-	33	-	-	-	349.149	-	-	-	353.890
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	10.006.939	-	57.068	-	650.613	-	-	-	10.714.620
Exposures to corporates	3.777.737	-	714.953	-	-	-	67.937.079	-	-	-	72.429.769
Retail exposures	1.067.643	-	183.444	-	-	11.730.807	15.614	-	-	-	12.997.508
Exposures secured by residential property	-	-	-	5.378.280	-	-	-	-	-	-	5.378.280
Exposures secured by commercial property	-	-	-	-	5.212.795	-	-	-	-	-	5.212.795
Past-due items	59	-	-	-	175.654	-	33.824	-	-	-	209.537
Exposures in high-risk categories	-	-	-	-	-	-	-	324.150	5.566.567	3.642	5.894.359
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-
Other exposures	871.142	-	776	-	-	-	1.291.856	-	-	-	2.163.774
Total	46.430.249	-	10.906.145	5.378.280	5.445.517	11.730.807	70.278.135	324.150	5.566.567	3.642	156.063.492

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

VIII. EXPLANATIONS ON RISK PROTECTION PROCEDURES

It is essential to limit the risk levels to limits compatible with the risk profile and risk tolerance in order to prevent the Bank from being affected by the adverse events that may occur while conducting its operations. Risk limits are determined by taking the opinions and suggestions of the General Manager, Audit Committee and relevant Senior Managers and approved by the Board of Directors

Risk limits; it has been determined in accordance with the risk levels, activities, size and complexity of its products and services that the Bank can take. Limits are regularly reviewed and monitored periodically, adapting to changes in market conditions, the Bank's strategy and risk appetite. In addition, derivative transactions are carried out at the Bank and FC and TRY liquidity risk is limited by the transactions performed.

IX. COUNTER PARTY CREDIT RISK EXPLANATIONS

a) Qualitative explanations on counter party credit risk

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

X. COUNTER PARTY CREDIT RISK EXPLANATIONS

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

	Current Period 30 June 2023	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	23.055	13.089		1,4	50.601	14.917
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					15.549.370	39.604
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						54.521

^(*) Effective expected positive exposure

	Prior Period 31 December 2022	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	14.277	43.901		1,4	81.448	37.568
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					14.928.992	25.253
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit					-	-
6	Total						62.821

^(*) Effective expected positive exposure

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

IX. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

c) Capital requirement for loan valuation adjustment

	Current Period 30 June 2023	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	50.601	27.950
4	Total subject to the CVA capital charge	50.601	27.950

	Current Period 31 December 2022	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	81.448	45.438
4	Total subject to the CVA capital charge	81.448	45.438

d) Standardized approach - CCR exposures by risk class and risk weight

Risk weight /Regulatory portfolio (Current Period)	0%	10%	20%	50%	%75%	100%	150%	Other	Total credit exposure ^(*)
Exposures to sovereigns and their central banks	15.506.093	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non- commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	44.605	-	-	5.995	-	-	14.916
Exposures to corporates	-	-	4.591	-	-	38.686	-	-	39.604
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high- risk categories	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Total ^(*)	15.506.093	-	49.196	-	-	44.681	-	-	54.520

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

IX. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

d) Standardized approach - CCR exposures by risk class and risk weight (Continued)

Risk weight /Regulatory portfolio (Prior Period)	0%	10%	20%	50%	75%	100%	150%	Other	Total credit exposure ^(*)
Exposures to sovereigns and their central banks	14.903.739	-	-	-	-	-	-	-	-
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	54.849	-	-	26.599	-	-	37.569
Exposures to corporates	-	-	-	-	-	25.252	-	-	25.252
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Total ^(*)	14.903.739	-	54.849	-	-	51.851	-	-	62.821

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

e) Counterparty credit risk (IDD) by risk class and PD

None.

f) Collaterals for CCR

Current Period 30 June 2023	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	15.549.370
Total	-	-	-	-	-	15.549.370

Prior Period 31 December 2022	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	-	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	14.928.992
Total	-	-	-	-	-	14.928.992

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

IX. COUNTERPARTY CREDIT RISK EXPLALANATIONS (Continued)

g) Credit Derivatives

None.

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

None.

i) Risks related with Central Counter parties

		Exposure at default (post- CRM)	RWA
1	Exposure to Qualified Central Counterparties (QCCPs)	498	10
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	-	-
3	(i) OTC Derivatives	-	-
4	(ii) Exchange-traded Derivatives	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	-
8	Non-segregated initial margin	-	-
9	Pre-funded default fund contributions	498	10
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)	-	-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which)	-	-
13	(i) OTC Derivatives	-	-
14	(ii) Exchange-traded Derivatives	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	-
18	Non-segregated initial margin	-	-
19	Pre-funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

5. Explanations on Securitization Disclosure

None (31 December 2022: None).

6. Explanations on Market Risk

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

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

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

In this context, as a minimum;

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

IX. COUNTERPARTY CREDIT RISK EXPLANATIONS (Continued)

6. Explanations on Market Risk (Continued)

a) Qualitative information to be disclosed to the public regarding market risk (Continued)

In the Parent Bank, the Board of Directors, Audit Committee and the General Manager fulfill their duties, powers and responsibilities within the scope of market risk management within the framework defined in the legislation. All Units, including the Units within the Scope of Internal Systems, fulfill their duties, powers and responsibilities within the scope of market risk management within the framework of the Regulation on Internal Systems of Banks and Internal Capital Adequacy Assessment Process and their own Regulations.

In order to reveal the market risk that the Parent Bank may encounter, it is essential to carry out risk measurement and monitoring activities and to consider the results in the strategic decision-making process of the Bank.

Within the framework of these principles, at least the following analyzes are made for measurement and monitoring activities.

As a minimum within the scope of Market Risk:

- Standard Method: It is made in accordance with the Market Risk Reporting Set statements published by the BRSA.
- Value at Risk Analysis: Historical Simulation is performed using Parametric, Exponentially Weighted Moving Average (EWMA) or a different method deemed appropriate by the Bank.
- Internal Capital Requirement: Parameters determined by the BRSA and / or the Bank that may affect the financial strength of the Bank and the level of capital that will meet the risks the Bank is or may be exposed to, with stress tests and / or scenario analysis related to these parameters, a future perspective It is calculated using appropriate methods

b) Standard Approach

		Current Period 30 June 2023	Prior Period 31 December 2022
		RWA	RWA
Outright products			
1	Profit share rate risk (general and specific)	-	-
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	1.190.157	786.420
4	Commodity risk	238.259	132.035
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitization	-	-
9	Total	1.428.416	918.455

Issued quarterly and semi-annually and annually within the scope of the footnotes prepared by the BRSA in accordance with the "Communiqué on the Public Disclosures on Risk Management by Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 and entered into force as of 31 March 2016. The required tables below are not presented as of 30 June 2023, as the standard approach is used in the Bank's market risk calculation:

Quantitative information to be disclosed to the public for banks using the internal model approach

Market risk RAT (Risk Weighted Amounts) change table according to the internal model approach

Internal model approach for trading account

Comparison of VaR (Value at Risk) estimates with profit / loss

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

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

X. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

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

Table for Segment Reporting

Prior Period 1 January – 30 June 2023	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	755.204	11.278.233	2.787.767	34.256	14.855.460
Profit Shares Expense	(3.088.923)	(7.766.369)	(1.434.637)	(43.580)	(12.333.509)
Net Profit Shares Income/Expense	(2.333.719)	3.511.864	1.353.130	(9.324)	2.521.951
Net Fees and Commission Income/Expense	94.625	211.539	-	275.064	581.228
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	1.116.557	-	1.116.557
Other Operating Income	-	1.521.427	-	6.590	1.528.017
Provision for Expected Losses	(80.977)	(1.341.103)	-	(204.542)	(1.626.622)
Other Operating Expense	-	(63.734)	-	(2.693.903)	(2.757.637)
Net Operating Profit/Loss	(2.320.071)	3.839.993	2.469.687	(2.626.115)	1.363.494
Tax Provision	-	-	-	(204.900)	(204.900)
Net Profit/Loss	(2.320.071)	3.839.993	2.469.687	(2.831.015)	1.158.594
SEGMENT ASSETS					
Financial Assets at FV Through P/L Banks ^(*)	-	-	3.097.240	-	3.097.240
Financial Assets Measured at Fair Value Through Other Comprehensive Income Loans ^{(*)(**)}	12.071.604	199.925.359	1.160.344	-	213.157.307
Financial Assets Measured at Amortised Cost	-	-	11.837.360	-	11.837.360
Derivative Financial Assets	-	-	24.412	-	24.412
Partnership Investment	-	-	24.000	-	24.000
Other Assets ^(*)	-	-	-	43.846.899	43.846.899
Total Segment Assets	12.071.604	199.925.359	49.974.240	43.846.899	305.818.102
SEGMENT LIABILITIES					
Funds Collected	100.456.604	156.224.981	-	-	256.681.585
Derivative Financial Liabilities	-	-	1.859	-	1.859
Funds Borrowed	-	-	6.734.922	-	6.734.922
Money Market Funds	-	-	10.639.539	-	10.639.539
Securities Issued (Net)	-	-	3.613.024	-	3.613.024
Provisions	-	-	-	2.051.526	2.051.526
Other Liabilities	-	-	-	10.382.957	10.382.957
Shareholders' Equity	-	-	-	15.712.690	15.712.690
Total Segment Liabilities	100.456.604	156.224.981	20.989.344	28.147.173	305.818.102

(*) Includes expected loss provisions.

(**) Includes lease receivables

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

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

X. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table of business segmentation

Prior Period 1 January – 30 June 2022	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	399.252	5.247.171	2.926.800	14.119	8.587.342
Profit Shares Expense	(1.281.031)	(2.139.430)	(950.230)	(31.030)	(4.401.721)
Net Profit Shares Income/Expense	(881.779)	3.107.741	1.976.570	(16.911)	4.185.621
Net Fees and Commission Income/Expense	40.148	129.451	-	(26.399)	143.200
Dividend Income	-	-	774	-	774
Trading Income/Loss (Net)	-	-	43.417	-	43.417
Other Operating Income	-	475.355	-	6.596	481.951
Provision for Expected Losses	(53.227)	(657.510)	-	(109.281)	(820.018)
Other Operating Expense	-	(11.352)	-	(1.051.459)	(1.062.811)
Net Operating Profit/Loss	(894.858)	3.043.685	2.020.761	(1.197.454)	2.972.134
Tax Provision	-	-	-	(860.553)	(860.553)
Net Profit/Loss	(894.858)	3.043.685	2.020.761	(2.058.007)	2.111.581
SEGMENT ASSETS					
Financial Assets at FV Through P/L Banks ^(*)	-	-	2.133.604	-	2.133.604
Financial Assets Measured at Fair Value Through Other Comprehensive Income Loans ^(*) (**)	-	-	13.251.320	-	13.251.320
Financial Assets Measured at Amortised Cost	-	-	18.823.730	-	18.823.730
Derivative Financial Assets	9.316.981	135.071.172	470.115	-	144.858.268
Partnership Investment	-	-	-	-	-
Other Assets ^(*)	-	-	-	27.951.587	27.951.587
Total Segment Assets	9.316.981	135.071.172	40.017.183	27.951.587	212.356.923
SEGMENT LIABILITIES					
Funds Collected	72.592.476	100.546.622	-	-	173.139.098
Derivative Financial Liabilities	-	-	62.998	-	62.998
Funds Borrowed	-	-	4.523.969	-	4.523.969
Money Market Funds	-	-	7.555.999	-	7.555.999
Securities Issued (Net)	-	-	4.394.241	-	4.394.241
Provisions	-	-	-	2.166.009	2.166.009
Other Liabilities	-	-	-	9.136.164	9.136.164
Shareholders' Equity	-	-	-	11.378.445	11.378.445
Total Segment Liabilities	72.592.476	100.546.622	16.537.207	22.680.618	212.356.923

(*) Includes expected loss provisions

(**) Includes lease receivables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

1.a) Information on cash and balances with Central Bank of the Republic of Türkiye:

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Cash in TRY/Foreign Currency	110.656	1.933.573	121.498	827.299
Central Bank of the Republic of Türkiye (*)	5.547.061	31.513.555	6.189.305	17.634.063
Other	-	749.964	-	202.080
Total	5.657.717	34.197.092	6.310.803	18.663.442

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

1.a.1) Information on Required Reserves:

According to the CBRT's "Communiqué No 2013/15 on Required Reserves", the Parent Bank maintains required reserves at the CBRT for its Turkish and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the CBRT.

Banks establish required reserves at the Central Bank of the Republic of Türkiye for their Turkish Lira and foreign currency liabilities specified in the aforementioned communiqué. Establishment of required reserves begins on Friday, two weeks after the liability calculation date, and lasts for 14 days. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold in accordance with the "Communiqué on Required Reserves" at the Central Bank of the Republic of Türkiye. Required reserve ratios vary according to the maturity structure of the liabilities and are applied between 3% and 8% for Turkish Lira deposits and other liabilities, and between 5% and 26% for foreign currency deposits and other liabilities.

Within the scope of the Communiqué No. 2021/14 on Supporting the Conversion of Turkish Lira Deposit and Participation Accounts, the conversion rate from foreign currency deposit accounts in US dollars, Euros and British Pounds and participation fund accounts in foreign currency to time deposits and participation funds in Turkish lira as of the obligation date of 2/9/2022 It has been decided not to apply an annual commission of 5% to the banks that have reached the 5% level and the 50% level as of the 2/9/2022 obligation date, up to the amount to be kept for their liabilities until the end of 2022

b) Information on the account of the Central Bank of the Republic of Türkiye:

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Unrestricted Demand Deposit	5.547.061	31.513.555	6.189.305	17.634.063
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Total	5.547.061	31.513.555	6.189.305	17.634.063

(*) TRY, FC and Gold required reserves established in accordance with the "Communiqué on Required Reserves" are included in the amounts in the table.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

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

2. Information on banks and other financial institutions:

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Banks				
Domestic Banks	4.961.786	5.207.160	134.657	10.334.683
Foreign Banks	-	4.571.865	-	2.781.980
Foreign Head Office and Branches	-	-	-	-
Total	4.961.786	9.779.025	134.657	13.116.663

3. Financial assets at fair value through profit or loss

	Current Period 30 June 2023	Prior Period 31 December 2022
Financial Assets at Fair Value Through Profit / Loss	3.079.830	2.121.486
Other Dividends and Income Rediscounts	17.410	12.118
Provision for Impairment (-)	-	-
Total	3.097.240	2.133.604

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Assets Subject to Repurchase Agreements	9.188.266	5.876.865
Assets Blocked/Given as Collateral	563.819	5.640.357
Total (*)	9.752.085	11.517.222

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

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Debt Securities	19.226.796	18.905.683
Quoted in Stock Exchange	19.226.796	18.905.683
Not Quoted in Stock Exchange	-	-
Share Certificates	52.341	52.341
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	52.341	52.341
Provision for Impairment (-)(**)	189.064	134.294
Total	19.090.073	18.823.730

(*) The afore-mentioned amounts consist of TRY 3.581 , TRY 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2,86% and TRY 41.101 Export Development Inc. from amounts paid as capital commitments are shown in the line that is not traded in the stock exchange (31 December 2022: TRY 7.659 Credit Guarantee Fund, TRY 3.581 JCR Eurasia Rating A.Ş. and TRY 41.101 İhracatı Geliştirme A.Ş.)

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

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****5. Information on derivative financial assets****a) Information on derivative assets at fair value through profit or loss**

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Forward Transactions	-	-	-	-
Swap Transactions	23.055	-	14.218	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	1.301	56	111	142
Total	24.356	56	14.329	142

6. Information related to loans**a) Information on all types of loans and advances given to shareholders and employees of the Bank**

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	3.330	-	2.374	-
Corporate Shareholders	3.330	-	2.374	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	202.860	-	101.173	-
Total (*)	206.190	-	103.547	-

(*) Includes rediscount amounts.

b) Information on the first and second group loans and other receivables including restructured loans

Current Period 30 June 2023				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured or Rescheduled	
Cash Loans			Loans with revised contract terms	Refinancing
Loans (*)	163.516.418	1.912.733	771.148	387.185
Export Loans	37.462.974	18.060	-	-
Import Loans	71.114	-	-	-
Commercial Loans	102.671.186	1.768.568	771.148	387.185
Consumer Loans	11.608.413	105.981	-	-
Credit Cards	209.620	1.116	-	-
Loans Given to Financial Sector	2.394.711	-	-	-
Other (**)	9.098.400	19.008	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	4.164.790	69.092	2.172	99.866
Total	167.681.208	1.981.825	773.320	487.051

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

Prior Period 31 December 2022				
	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring	Restructured or Rescheduled Loans with revised contract terms	Refinancing
Cash Loans				
Loans (*)	118.299.799	1.177.498	382.172	713.273
Export Loans	24.216.793	5.932	-	-
Import Loans	68.120	-	-	-
Commercial Loans	77.531.136	1.070.680	382.172	713.273
Consumer Loans	9.022.405	76.370	-	-
Credit Cards	103.556	301	-	-
Loans Given to Financial Sector	470.115	-	-	-
Other (**)	6.887.674	24.215	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	3.778.087	45.353	6.964	61.093
Total	122.077.886	1.222.851	389.136	774.366

(*) Related amounts do not include financial lease receivables.

(**) As of 30 June 2023, TRY 36.525 (31 December 2022: TRY 36.525) of the related balance consists of funds provided by the musharakah partnership financing method. As of 31 December 2022, the Bank has accounted for these fixed musharakah financing loans, which it carries in its statement of financial position, at historical cost in accordance with Interest-Free Finance Accounting Standard 4: Musharakah Financing “FFMS 4” Article 2/3/1..

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Expected Credit Loss of Stage 1 and Stage 2				
12 Month Expected Credit Losses	1.051.374	-	683.003	-
Significant Increase in Credit Risk	-	541.181	-	438.587

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
Number of extensions				
1 or 2 Times Extended	705.594	1.158.333	619.977	1.095.445
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
Total	705.594	1.158.333	619.977	1.095.445

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
Extension Periods				
0 - 6 Months	-	172.500	10.092	183.452
6 Months – 12 Months	9.694	7.106	3.703	11.816
1 - 2 Years	221.030	819.234	196.105	729.732
2 - 5 Years	474.870	11.181	50.014	14.235
5 Years and Over	-	148.312	360.063	156.210
Total	705.594	1.158.333	619.977	1.095.445

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****c) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards**

Current Period 30 June 2023	Short-Term	Medium and Long-Term	Total
Consumer Loans - TRY	70.365	11.447.365	11.517.730
Housing Loans	2.468	10.265.474	10.267.942
Vehicle Loans	9.893	835.322	845.215
Consumer Loans	58.004	346.569	404.573
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TRY	206.404	143	206.547
With Installment	63.825	-	63.825
Without Installment	142.579	143	142.722
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TRY	24.346	172.318	196.664
Housing Loans	-	19.753	19.753
Vehicle Loans	-	4.117	4.117
Consumer Loans	24.346	148.448	172.794
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	4.182	7	4.189
With Installment	1.857	-	1.857
Without Installment	2.325	7	2.332
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	305.297	11.619.833	11.925.130

(*) Dividend accrual amounting to TRY 146.474 is not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

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

Prior Period 31 December 2022	Short-Term	Medium and Long-Term	Total
Consumer Loans - TRY	29.231	8.971.697	9.000.928
Housing Loans	4.682	7.945.631	7.950.313
Vehicle Loans	7.200	712.313	719.513
Consumer Loans	17.349	313.753	331.102
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TRY	101.677	42	101.719
With Installment	25.743	14	25.757
Without Installment	75.934	28	75.962
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TRY	3.798	94.049	97.847
Housing Loans	-	14.546	14.546
Vehicle Loans	-	3.128	3.128
Consumer Loans	3.798	76.375	80.173
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TRY	2.131	7	2.138
With Installment	701	-	701
Without Installment	1.430	7	1.437
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	136.837	9.065.795	9.202.632

(*) Dividend accrual amounting to TRY 114.349 is not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****d) Information on installment commercial loans and corporate credit cards**

Current Period 30 June 2023	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TRY	1.099.023	777.556	1.876.579
Business Loans	952	25.036	25.988
Vehicle Loans	1.098.071	752.520	1.850.591
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	881	80.025	80.906
With Installment	-	-	-
Without Installment	881	80.025	80.906
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TRY	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	1.099.904	857.581	1.957.485

Prior Period 31 December 2022	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TRY	1.262.469	1.102.386	2.364.855
Business Loans	1.831	36.212	38.043
Vehicle Loans	1.260.638	1.066.174	2.326.812
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	-	-
Business Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	1.132	59.218	60.350
With Installment	-	-	-
Without Installment	1.132	59.218	60.350
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TRY	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TRY (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Toplam	1.263.601	1.161.604	2.425.205

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information relates to loans (Continued)

d) Loans according to types of borrower:

	Current Period 30 June 2023	Prior Period 31 December 2022
Domestic Loans	165.102.311	119.721.638
Foreign Loans	1.485.173	851.104
Profit Share Income Accruals and Rediscunts	4.335.920	3.891.497
Total (*)	170.923.404	124.464.239

(*) Financial lease receivables and non-performing loans are not included.

e) Loans granted to subsidiaries and participations

As of 30 June 2023, the Bank has no loans granted to subsidiaries and participations (31 December 2022: None).

f) Provision for default (Stage 3/Specific Provision)

	Current Period 30 June 2023	Prior Period 31 December 2022
Loans and receivables with limited collectability	5.532	6.432
Loans and receivables with doubtful collectability	27.747	94.372
Uncollectible loans and other receivables	1.733.268	1.494.642
Total	1.766.547	1.595.446

g) Information on lease receivables

g.1) Analysis of investment made in financial leasing by remaining maturity

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Gross	Net	Gross	Net
Less than 1 year	558.584	534.169	189.351	179.909
1-5 year	41.031.300	32.465.893	16.491.827	14.005.363
More than 5 years	12.550.612	10.608.742	8.160.207	7.050.052
Total	54.140.496	43.608.804	24.841.385	21.235.324

g.2) Information on Net Investments Made in Financial Leasing

	Current Period 30 June 2023	Prior Period 31 December 2022
Gross Lease Receivable	54.140.496	24.841.385
Financial Income Unearned From Financial Leasing (-)	(10.531.692)	(3.606.061)
Cancelled Rental Amounts	-	-
Total	43.608.804	21.235.324

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

h) Information on non-performing receivables (net)

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

As of 30 June 2023, the sum of the Bank's non-performing loans restructured or rescheduled for a new redemption plan and other receivables is TRY 155.492 (31 December 2022: TRY 167.624).

h.2) Information on the movement of total non-performing loans

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Current Period			
30 June 2023			
Ending balance of prior period	23.334	178.305	1.674.102
Additions in the current period (+)	59.693	5.966	124.790
Transfers from other categories of non-performing loans (+)	-	52.074	155.690
Transfers to other categories of non-performing loans (-)	52.074	155.690	-
Collections in the current period (-)	9.712	4.208	68.069
Write offs (-) ^(*)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	21.241	76.447	1.886.513
Expected Loss Provision (Stage 3) (-)	5.532	27.747	1.733.268
Net balance on balance sheet	15.709	48.700	153.245

(*) Includes transfers to first and second group loans amounting to TRY 43.096.

(**) It is the amount that has been transferred from the financial statements in accordance with the transfer of receivables agreements while being monitored in the non-performing receivables accounts of the Bank.

	Group III:	Group IV:	Group V:-
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Prior Period			
31 December 2022			
Ending balance of prior period	41.467	391.196	1.266.313
Additions in the current period (+)	283.521	26.482	311.004
Transfers from other categories of non-performing loans (+)	-	263.830	464.576
Transfers to other categories of non-performing loans (-)	263.830	464.576	-
Collections in the current period (-)	37.824	38.627	348.775
Write offs (-) ^(*)	-	-	19.016
Corporate and commercial loans	-	-	19.016
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	23.334	178.305	1.674.102
Expected Loss Provision (Stage 3) (-)	6.432	94.372	1.494.642
Net balance on balance sheet	16.902	83.933	179.460

(*) Includes transfers to first and second group loans amounting to TRY 45.171.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans (Continued)****h.3) Information on foreign currency non-performing loans**

	III. Grup	IV. Grup	V. Grup
Current Period	Allocated for	Allocated for	Allocated for
30 June 2023	Loans with	Doubtful Loans	Loss Loans
Ending Balance	Limited Collection		
Provision for Expected Loss (Stage 3) (-)	-	-	285.188
Net Balance in the Balance Sheet	-	-	282.881

	III. Grup	IV. Grup	V. Grup
Prior Period	Allocated for	Allocated for	Allocated for Loss
31 December 2022	Loans with	Doubtful Loans	Loans
Ending Balance	Limited Collection		
Provision for Expected Loss (Stage 3) (-)	-	-	316.515
Net Balance in the Balance Sheet	-	-	302.296

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

	III. Grup:	IV. Grup:	V. Grup:
	Loans and other	Loans and other	Uncollectible
	receivables with	receivables with	loans and other
	limited	doubtful	receivables
	collectability	collectability	
Current Period (Net)	15.709	48.700	153.245
Loans to Real Persons and Legal Entities (Gross)	21.241	76.447	1.886.513
Specific Provisions (-)	5.532	27.747	1.733.268
Loans to Real Persons and Legal Entities (Net)	15.709	48.700	153.245
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Gross)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	16.902	83.933	179.460
Loans to Real Persons and Legal Entities (Gross)	23.334	178.305	1.674.102
Specific Provisions (-)	6.432	94.372	1.494.642
Loans to Real Persons and Legal Entities (Net)	16.902	83.933	179.460
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

Information on accruals, valuation differences and related provisions calculated for non-performing loans for Banks which are providing expected credit loss according to TFRS 9:

	III. Grup:	IV. Grup:	V. Grup:
	Loans with	Loans with	Uncollectible
	limited	doubtful	loans
	collectability	collectability	
Current Period (Net)	972	6.798	22.909
Profit Share Accrual and Valuation Differences			
Provision	1.300	10.651	267.128
Provision Amount (-)	328	3.853	244.219
Prior Period (Net)	1.108	8.692	26.287
Profit Share Accrual and Valuation Differences			
Provision	1.592	18.930	234.022
Provision Amount (-)	484	10.238	207.735

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued)

j) Information on liquidating policy of uncollectible loans and other receivables

Execution proceedings are carried out for the collection of receivables from loan services of Bank. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

k) Explanations on write-off policy

The Bank writes off the receivables from its records with the actualized circumstances of deaths of the debtor and/or the related people, refusals of the heritage by the heritors within the legal time limits, becoming legally and effectively impossible of the collection of the receivable, and the given financial accountability decision on the related personnel of the considered receivable.

7. Financial assets at amortized cost

a) Information on government debt securities measured at amortized cost

	Current Period 30 June 2023	Prior Period 31 December 2022
Debt Securities	11.837.360	5.323.943
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	11.837.360	5.323.943
Provision of Impairment (-)	-	-
Total	11.837.360	5.323.943

b) Information on financial assets valued at amortized cost

None (31 December 2022 None).

c) Information on government debt securities measured at amortized cost

As of 30 June 2023, the Group's government debt securities measured at amortized cost is TRY 11.837.360 (31 December 2022: TRY 5.323.943).

	Current Period 30 June 2023	Prior Period 31 December 2022
Balances at Beginning of Period	5.323.943	1.327.957
Foreign Currency Differences on Monetary Assets	581.359	264.482
Purchases during the Period (*)	5.932.058	3.731.504
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	11.837.360	5.323.943

(*) Rediscounts are shown in "Purchases during the Period" line.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on assets related to trading in investments and discontinued operations

As of 30 June 2023, the Group's assets held for sale are TRY 280.729 (31 December 2022: TRY 274.644).

	Current Period 30 June 2023	Prior Period 31 December 2022
Beginning Balance (Net)	274.644	307.881
Changes During the Period (Net)	6.085	(33.237)
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net) (*)	280.729	274.644

(*) The Group has fiduciary rights over TRY 205.380 (31 December 2022: TRY 211.940) of assets held for sale

As of 30 June 2023, the Bank has no discontinued operations (31 December 2022: None)

9. Equity Investments

a) Information about investments in associates (net)

a.1) Information on unconsolidated associates:

Katılım Finans Kefalet A.Ş. is not consolidated in the accompanying financial statements, since the Bank does not have qualified shares, does not have significant activity and is not a financial institution (31 December 2022: None).

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Katılım Finans Kefalet A.Ş.	İstanbul / TÜRKİYE	15	-

a.2) Information on consolidated associates:

The Bank has no consolidated associates as of the balance sheet date (31 December 2022: None).

b) Information on subsidiaries (net)

b.1) Information on unconsolidated subsidiaries

Ziraat Katılım Varlık Kiralama A.Ş. ("Company"), with a capital of TRY 50 fully paid by Ziraat Katılım Bankası Anonim Şirketi, on 22 January 2016 with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, as per the Capital Markets Board ("CMB") dated 7 June 2013 and It was established to issue lease certificates exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette No. 28760.

ZKB Varlık Kiralama A.Ş. ("Company"), with its capital of TRY 50 fully paid by Ziraat Katılım Bankası Anonim Şirketi, on 8 September 2017 with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, as per the Capital Markets Board ("CMB") dated 7 June 2013 and It was established to issue lease certificates exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette No. 28760.

	Name	Address (City/Country)	Bank's share percentage - if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Equity Investments (Continued)

b) Information on subsidiaries (net) (Continued)

b.1) Information on unconsolidated subsidiaries (Continued)

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior Period Income/Loss	Fair Value	Needed Shareholders Equity
1 (*)	4.963.346	543	-	573.301	-	145	338	-	-
2 (*)	141	130	-	90	-	13	64	-	-

(*) Independently audited financial statements of 31 June 2023 are used

	Current Period 30 June 2023	Prior Period 31 December 2022
Balance at the beginning of the year	515	430
Movements during the year	158	85
Additions	-	-
Bonus Share Certificates	-	-
Shares of Current Year Profits	158	85
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Revaluation/Impairment (-)	-	-
Balance at the end of the year	673	515
Capital commitments	-	-
Share percentage at the end of the year (%)	%100	%100

b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts

	Current Period 30 June 2023	Prior Period 31 December 2022
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

b.3) Subsidiaries that are quoted on the stock exchange

None (31 December 2022: None).

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

None (31 December 2022: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Explanations on property and equipment

	Immovables	Right of Use Immovables	Movable	Right of Use Movable	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:							
Cost	-	393.654	273.376	49.622	152.781	-	869.433
Accumulated Depreciation (-)	-	115.610	81.850	22.424	54.607	-	274.491
Net Book Value	-	278.044	191.526	27.198	98.174	-	594.942
Current Period End:							
Net Book Value at the Beginning of the Period	-	278.044	191.526	27.198	98.174	-	594.942
Change During the Period (Net)	-	108.521	99.414	36.540	407.496	-	651.971
Cost	-	137.979	127.604	45.785	442.969	-	754.337
Amortization (Net) (-)	-	29.458	28.190	9.245	35.473	-	102.366
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	531.633	400.980	95.407	595.750	-	1.623.770
Accumulated Depreciation at Period End (-)	-	145.068	110.040	31.669	90.080	-	376.857
Provisions for losses	-	-	-	-	-	-	-
Closing Net Book Value	-	386.565	290.940	63.738	505.670	-	1.246.913

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

Pledges, mortgages and other restrictions on tangible assets, amount of expenses made during construction for tangible assets, commitments made for purchase of tangible assets: None.

11. Explanations on intangible assets:

	Current Period 30 June 2023			Prior Period 31 December 2022		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	580.689	103.736	476.953	426.161	83.707	342.454
Total	580.689	103.736	476.953	426.161	83.707	342.454

- In case an intangible asset that is significant for the financial statements as a whole, its book value, definition and remaining depreciation period: None.
- Information on intangible assets acquired under government incentives and recorded with fair value at initial recognition: None.
- The method in which intangible assets acquired under government incentives and recorded with fair value at initial recognition are valued after the first registration date: None.
- Book value of intangible assets with restrictions on use or pledged: None.
- Amount of commitments given for acquisition of intangible asset: None.
- Intangible assets based on revalued asset type: None.
- Total amount of research and development expenses recorded in the period, if any: None.
- Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- Information on goodwill: None

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on the investment properties:

As of 30 June 2023, the Group has no investment property (31 December 2022: None)

13. Information on the current period assets related to tax:

Group's deferred tax liabilities of TRY 2.805.875 (31 December 2022: TRY 993.620) and deferred tax assets of TRY 1.714.354 (31 December 2022 TRY 1.781.640) have been offset and TRY 1.091.521 deferred tax asset (31 December 2022: TRY 788.020 deferred tax asset) is reflected in the financial statements

14. Information on other assets:

As of 30 June 2023, other assets do not exceed 10% of the total assets excluding off-balance sheet commitment.

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. a) Information on funds collected

a.1) Information on maturity structure of funds collected

Current Period 30 June 2023	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TRY	2.570.967	-	-	-	-	-	-	-	2.570.967
II. Real persons participation accounts non-trade TRY	-	1.246.085	22.394.370	3.754.595	2.763.305	43.962	18.017.572	-	48.219.889
III. Other current accounts-TRY	11.974.728	-	-	-	-	-	-	-	11.974.728
Public sector	196.141	-	-	-	-	-	-	-	196.141
Commercial sector	7.407.334	-	-	-	-	-	-	-	7.407.334
Other institutions	235.304	-	-	-	-	-	-	-	235.304
Commercial and other institutions	1.501	-	-	-	-	-	-	-	1.501
Banks and participation banks	4.134.448	-	-	-	-	-	-	-	4.134.448
Central Bank of Republic of Türkiye	-	-	-	-	-	-	-	-	-
Domestic banks	1.008	-	-	-	-	-	-	-	1.008
Foreign banks	4.131.743	-	-	-	-	-	-	-	4.131.743
Participation banks	1.697	-	-	-	-	-	-	-	1.697
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TRY	-	14.851.186	62.859.317	2.914.675	2.667.421	62.772	1.467.119	-	84.822.490
Public sector	-	10.522.456	3.061.566	3.350	1.157	-	-	-	15.588.529
Commercial sector	-	4.268.918	54.185.460	2.891.632	2.664.312	51.859	1.446.426	-	65.508.607
Other institutions	-	59.812	1.861.706	15.497	1.952	10.913	20.693	-	1.970.573
Commercial and other institutions	-	-	16.588	4.196	-	-	-	-	20.784
Banks and participation banks	-	-	1.733.997	-	-	-	-	-	1.733.997
V. Real persons current accounts non-trade FC	11.399.305	-	-	-	-	-	-	-	11.399.305
VI. Real persons participation accounts-FC	-	2.439.572	16.634.077	167.605	-	311.523	2.056.939	-	21.609.716
VII. Other current accounts-FC	14.597.756	-	-	-	-	-	-	-	14.597.756
Commercial residents in Türkiye	13.801.173	-	-	-	-	-	-	-	13.801.173
Commercial residents in Abroad	724.798	-	-	-	-	-	-	-	724.798
Banks and participation banks	71.785	-	-	-	-	-	-	-	71.785
Central Bank of Republic of Türkiye	58.014	-	-	-	-	-	-	-	58.014
Domestic banks	-	-	-	-	-	-	-	-	1
Foreign banks	13.770	-	-	-	-	-	-	-	13.770
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	11.222.754	38.805.119	2.121.081	585	79	10.220	-	52.159.838
Public sector	-	1.581	545.437	-	-	-	-	-	547.018
Commercial sector	-	11.146.952	37.433.799	2.116.609	585	79	4.438	-	50.702.462
Other institutions	-	17.296	656.064	3.263	-	-	5.782	-	682.405
Commercial and other institutions	-	46.253	41.662	-	-	-	-	-	87.915
Banks and participation banks	-	10.672	128.157	1.209	-	-	-	-	140.038
IX. Precious metal funds	5.025.577	-	3.877.636	257.030	68.758	-	97.895	-	9.326.896
X. Participation accounts special funds - TRY	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+...+IX+X+XI	45.568.333	29.759.597	144.570.519	9.214.986	5.500.069	418.336	21.649.745	-	256.681.585

(*) As of 30 June 2023, it includes TRY 37.915.679 of CBRT Currency Protected Participation Account and TRY 22.660.046 of Treasury Currency Protected Participation Account products ve TRY 2.054.922 Yuvam Account.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. a) Information on funds collected (Continued)

Prior Period 31 December 2022	Demand	Up to 1 Month	Up to 3 Months	Up to 6 Months	Up to 9 Months	Up to 1 Year	1 Year and over	Accumulated Participation Account	Total
I. Real persons current accounts non-trade TRY	3.157.181	-	-	-	-	-	-	-	3.157.181
II. Real persons participation accounts non- trade TRY	-	1.109.309	20.384.240	1.164.467	780.322	1.221	5.114.040	-	28.553.599
III. Other current accounts-TRY	13.758.814	-	-	-	-	-	-	-	13.758.814
Public sector	242.590	-	-	-	-	-	-	-	242.590
Commercial sector	9.249.882	-	-	-	-	-	-	-	9.249.882
Other institutions	112.603	-	-	-	-	-	-	-	112.603
Commercial and other institutions	20.660	-	-	-	-	-	-	-	20.660
Banks and participation banks	4.133.079	-	-	-	-	-	-	-	4.133.079
Central Bank of Republic of Türkiye	291	-	-	-	-	-	-	-	291
Domestic banks	690	-	-	-	-	-	-	-	690
Foreign banks	4.132.074	-	-	-	-	-	-	-	4.132.074
Participation banks	24	-	-	-	-	-	-	-	24
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts- TRY	-	20.007.109	32.682.191	5.022.993	1.449.717	65.648	748.875	-	59.976.533
Public sector	-	13.083.148	721.929	3.851.938	51.323	2.576	-	-	17.710.914
Commercial sector	-	6.875.077	29.914.497	1.138.904	1.398.141	47.325	748.071	-	40.122.015
Other institutions	-	48.884	1.391.699	32.151	253	15.747	804	-	1.489.448
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	654.156	-	-	-	-	-	654.156
V. Real persons current accounts-FC	7.899.340	-	-	-	-	-	-	-	7.899.340
VI. Real persons participation accounts non- trade FC	-	1.582.540	8.749.485	125.947	-	248.468	1.943.881	-	12.650.321
VII. Other current accounts non-trade FC	10.149.564	-	-	-	-	-	-	-	10.149.564
Commercial residents in Türkiye	9.297.062	-	-	-	-	-	-	-	9.297.062
Commercial residents in Abroad	846.388	-	-	-	-	-	-	-	846.388
Banks and participation banks	6.114	-	-	-	-	-	-	-	6.114
Central Bank of Republic of Türkiye	-	-	-	-	-	-	-	-	-
Domestic banks	1	-	-	-	-	-	-	-	1
Foreign banks	6.113	-	-	-	-	-	-	-	6.113
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	6.484.676	13.668.959	10.159.883	17.361	-	11.341	-	30.342.220
Public sector	-	952	205.478	-	-	-	-	-	204.430
Commercial sector	-	6.441.267	13.003.990	10.028.864	17.361	-	7.136	-	29.498.618
Other institutions	-	6.612	336.809	131.019	-	-	4.205	-	478.645
Commercial and other institutions	-	35.845	124.682	-	-	-	-	-	160.527
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	3.546.550	-	2.986.678	16.268	37.973	-	64.057	-	6.651.526
X. Participation accounts special funds - TRY	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Türkiye	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total									
I+II+.....+IX+X+XI	38.511.449	29.183.634	78.471.553	16.489.558	2.285.373	315.337	7.882.194	-	173.139.098

(*) As of 31 December 2022, it includes TRY 22.216.406 of CBRT Currency Protected Participation Account and TRY 10.167.641 of Treasury Currency Protected Participation Account products.ve TRY 1.710.983 Yuvam Account.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)

1. a) Information on funds collected

a.2) Information on maturity structure of funds collected

i. Information's on current and participation accounts within the scope of Saving Deposit/Saving Deposit Insurance Fund

	Under the guarantee of saving deposit insurance	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Exceeding the limit of saving deposit
	Current Period 30 June 2023	Prior Period 31 December 2022	Current Period 30 June 2023	Prior Period 31 December 2022
Real persons current and profit sharing accounts that are not subject to commercial activities	20.616.506	12.569.522	71.101.982	44.932.868
TRY accounts	10.834.135	7.239.479	39.956.721	24.471.301
FC accounts	9.782.371	5.330.043	31.145.261	20.461.567
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

(*) Pursuant to the Regulation Amending the Regulation on Deposits and Participation Funds Subject to Insurance and Premiums to be Collected by the Savings Deposit Insurance Fund, published in the Official Gazette dated 27 August 2022 and numbered 31936, All deposits and participation funds, except for those, are covered by insurance. In line with this change, commercial deposits amounting to TRY 3.012.255 within the scope of insurance are not included in the table. The portion of the said deposits exceeding the insurance limit is TRY 139.687.190.

ii. Amounts which are not within the scope of insurance

Participation fund of the real persons who are not within the scope of Saving Deposits Insurance Fund

	Current Period 30 June 2023	Prior Period 31 December 2022
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	2.444	1.223
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Türkiye in order to engage in off-shore banking activities solely	-	-

2. Information on funds borrowed

a) Information on banks and other financial institutions

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Syndicated Loan	-	582.566	150.067	1.300.767
Wakala Loans	-	872.332	-	297.209
Funds Provided from Issued Lease Certificates (Sukuk)	-	-	-	-
Other	390.235	4.889.789	191.652	2.584.274
Total	390.235	6.344.687	341.719	4.182.250

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on funds borrowed (Continued)

b) Information on maturity structure of borrowings

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	390.236	2.053.554	341.719	2.405.748
From Foreign Banks, Institutions and Funds	-	4.291.132	-	1.776.502
Total	390.236	6.344.686	341.719	4.182.250

c) Information on maturity structure of borrowings

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Short-term	13.968	1.091.158	185.711	1.369.438
Medium and Long-term	376.268	5.253.528	156.008	2.812.812
Total	390.236	6.344.686	341.719	4.182.250

d) Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations

83,56% of Bank's liabilities consists of current and participation account.

3. Information on funds obtained from market transactions

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Domestic	365.007	10.274.532	57.003	7.498.996
Financial Institutions	365.007	10.274.532	57.003	7.498.996
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	365.007	10.274.532	57.003	7.498.996

4. Information on securities issued

None (31 December 2022: None).

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

None (31 December 2022: None).

6. Information on derivative financial liabilities

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Forward transactions	-	-	-	-
Swap transactions	-	1.859	-	62.998
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	-	1.859	-	62.998

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on financial lease obligations

	Current Period 30 June 2023		Prior Period 31 December 2022	
	Gross	Net	Gross	Net
Less than 1 year	5.223	5.084	43.715	24.347
Between 1-5 years	211.768	166.337	130.103	100.305
More than 5 years	653.399	319.813	422.202	211.294
Total	870.390	491.234	596.020	335.946

8. Information on provisions

a) Information on provisions related with foreign currency difference of foreign currency indexed loans and lease receivables

As of June 2023, there is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2022: None).

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

The expected credit loss provision for non-compensated and non-cash loans is TRY 20.028 (31 December 2022: TRY 23.278).

c) Information on other provisions

c.1) Information on free provisions for possible risks

Except for the BRSA Accounting and Financial Reporting Legislation requirements, free provision has been set aside by the Group management, amounting to TRY 404.000, of which TRY 1.004.000 has been reserved in previous periods and TRY 600.000 has been allocated in the current period (31 December 2022: Except for the BRSA Accounting and Financial Reporting Legislation requirements, a total of TRY 1.004.000 has been set aside by the bank management, of which TRY 20.000 has been reserved in previous periods and TRY 984.000 has been canceled in the current year).

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

As of June 30, 2023, TRY 1.095.145 of other provisions (31 December 2022: TRY 701.266) was allocated from profits to be distributed to participation accounts, TRY 1.331 (31 December 2022: TRY 632) was made from provisions for foreign currency purchases and sales, TRY 522 The portion amounting to (31 December 2022: TRY 213) consists of the provision for promotional practices regarding credit cards and banking services.

c.3) Information on litigations provisions

A provision of TRY 89.319 has been made in the financial statements for the lawsuits that are likely to be concluded against the Group but are not yet finalized (31 December 2022: TRY 86.915).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on provisions (Continued):

d) Information on provisions for employee benefits:

d.1) Employment termination benefits and unused vacation rights

According to the Turkish Labor Law; The Bank is obliged to pay severance pay for its personnel who have completed one year of employment and whose relationship with the Bank has been terminated due to reasons other than resignation or misconduct, or who completed their service year and gained their retirement, were called up for military service or died. The compensation to be paid is equal to one month's gross salary for each year of service and this amount is limited to TRY 19.983 (full TRY) determined by the government as of 30 June 2023 (31 December 2022: TRY 15.371 (full TRY)).

The Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

The Bank used its own parameters in the calculation of the total liabilities which were calculated with the actuary assumptions.

	Current Period 30 June 2023	Prior Period 31 December 2022
Discount Rate (%)	% 9,20	% 9,20
Inflation	% 8,66	% 8,66

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Balance at the 1 January	125.764	26.259
Paid during the period	-	266.967
Severance Pay	23.256	(834)
Actuarial loss/(gain)	-	(166.628)
Balance at the end of the period	149.020	125.764

As of June 30, 2023, the Bank's liability arising from leave rights is TRY 35.000 (31 December 2022: TRY 28.175).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial ratio 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 June 2023, no technical deficit has been reported.

As of the balance sheet date, the Group's liability for the benefits to be transferred to SGK is the estimated amount of payment that will be required to be made during the transfer to SGK. The actuarial parameters and the results used in the measurement of this amount reflect the provisions of Law No. 5754 on the pension and health benefits to be transferred to the SGK (9,80% real discount rate, etc.) published in the Official Gazette dated 8 May 2008 and numbered 26870.

d.3) Additional Bonus Provision to be paid to Personnel

The Group has a total of TRY 164 provision in the current period, based on the additional bonus to be paid to the personnel (31 December 2022: TRY 500).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on tax liability:

a) Information on tax provisions:

As of 30 June 2023, the Bank has no corporate tax liability after deducting temporary taxes paid during the period from its tax provisions (As of 31 December 2022, corporate tax liability is TRY 1.338.031 from tax provisions after deducting temporary taxes paid during the period).

b) Information on taxes payable:

	Current Period 30 June 2023	Prior Period 31 December 2022
Corporate Tax Payable	-	1.338.031
Taxation on Income From Securities	55.635	46.059
Property Tax	1.455	876
Banking Insurance Transactions Tax (BITT)	95.602	51.030
Foreign Exchange Transactions Tax	2.519	6.512
Value Added Tax Payable	24.216	15.992
Other	15.094	26.404
Total	194.521	1.484.904

c) Information on premiums:

	Current Period 30 June 2023	Prior Period 31 December 2022
Social Security Premiums – Employee	539	20
Social Security Premiums – Employer	750	-
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	990	764
Unemployment Insurance – Employer	1.975	1.526
Other	-	-
Total	4.254	2.310

10) Information on deferred tax liabilities, if any:

The Group has no deferred tax liability as of the balance sheet date. (31 December 2022: None)

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

The Bank has no liabilities for assets held for sale and discontinued operations (31 December 2022: None).

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES
(Continued)****12. Explanations on subordinated debts**

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
From Domestic Banks	1.341.480	-	1.341.748	-
From Other Domestic Institutions	-	3.734.514	-	2.597.654
From Foreign Banks	-	-	-	-
From Other Institutions Abroad	-	-	-	-
Total	1.341.480	3.734.514	1.341.748	2.597.654

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
Debt instruments to be included in the additional capital calculation:	-	3.734.514	-	2.597.654
Subordinated Loans(*)	-	3.734.514	-	2.597.654
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	1.341.480	-	1.341.748	-
Subordinated Loans (**)	1.341.480	-	1.341.748	-
Equity-like Debt Instruments	-	-	-	-
Total	1.341.480	3.734.514	1.341.748	2.597.654

(*) On April 24, 2019, with the approval of the BRSA on April 22, 2019, the Parent Bank obtained EUR 100.000 from Türkiye Wealth Fund Market Stability and Balance Sub-Fund; With the approval of the BRSA on March 9, 2022, on March 9, 2022, a subordinated loan amounting to EUR 57.039 is provided within the scope of demand and non-profit additional capital. The Bank calculated the fair value of the loan amount and reflected it to the financial statements by using the prices of similar financial instruments on the date it was included in the balance sheet within the scope of TFRS 9 and TFRS 13 standards.

13. If the other liabilities of the balance exceed 10% of the balance sheet total, the names and amounts of the sub-accounts constituting at least 20% of them:

The amount of other liabilities of balance sheet does not exceed 10% of total amount of balance sheet.

14. Information on shareholders' equity:**a) Presentation on paid-in capital:**

	Current Period	Prior Period
Common stock	7.350.000	2.650.000
Preferred stock	-	-

b) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

None.

c) Paid-in capital amount, explanation whether the registered capital system is applicable by the Bank, if so the registered capital ceiling amount:

None.

d) Information on share capital increases and their sources; other information on increased capital shares in the current period:

None.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on shareholders' equity (Continued)

- d) Capital commitments in the last fiscal year and continue until the end of the following interim period, general purpose of these commitments and estimated resources required for these commitments:

None.

- e) Indicators of the Bank's income, profitability and liquidity for the prior periods and possible effects of future assumptions based on the uncertainty of these indicators on the Bank's equity:

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators. (31 December 2022: None).

- f) Summary information on privileges given to shares representing the capital:

As of 30 June 2023, the Bank has no preferred shares (31 December 2022: None).

- g) Disclosure of accumulated other comprehensive income or expenses to be reclassified to profit or loss:

	Current Period 30 June 2023		Prior Period 31 December 2022	
	TRY	FC	TRY	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	1.062.207	(164.532)	2.540.848	(117.971)
Revaluation Difference	1.361.742	(164.532)	3.348.782	(117.971)
Deferred Tax Effect	(299.535)	-	(807.934)	-
Foreign Exchange Difference	-	-	-	-
Total	1.062.207	(164.532)	2.540.848	(117.971)

III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

- a) Nature and amount of irrevocable loan commitments:

	Current Period 30 June 2023	Prior Period 31 December 2022
Commitments for Credit Card Expenditure Limits	679.219	720.578
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	1.351.433	748.093
Loan Granting Commitments	189.719	95.161
Asset Purchase Commitments	779.340	544.655
Tax and Fund Liabilities from Export Commitments	1.328.573	721.459
Promotion Commitment Regarding Credit Card and Banking Services	840	458
Total	4.329.124	2.830.404

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****III. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED OFF-BALANCE SHEET
ACCOUNTS****1. Information on off-balance sheet liabilities:****b) The nature and amount of possible losses and commitments from off-balance sheet items
including the following:**

A provision of TRY 272.651 has been made for possible losses arising from off-balance sheet items (31 December 2022: TRY 218.066).

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Guarantee Letters	54.960.449	37.944.687
Bank Acceptances	123.569	74.133
Letter of Credits	6.352.362	5.650.939
Other Contingencies	858.585	1.521.723
Total	62.294.965	45.191.482

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

	Current Period 30 June 2023	Prior Period 31 December 2022
Letters of Temporary Guarantees	2.373.408	2.854.152
Letters of Certain Guarantees	28.968.366	19.331.234
Letters of Advance Guarantees	9.213.192	4.777.857
Letters of Guarantees given to Customs Offices	530.838	429.313
Other Letters of Guarantees	13.874.645	10.552.131
Total	54.960.449	37.944.687

b.3) Total non-cash loans:

	Current Period 30 June 2023	Prior Period 31 December 2022
Non-Cash Loans for Providing Cash Loans	13.870.087	10.548.853
With Original Maturity of One Year or Less	1.540.843	500.931
With Original Maturity of More than One Year	12.329.244	10.047.922
Other Non-Cash Loans	48.424.878	34.642.629
Total	62.294.965	45.191.482

**III. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF
CONSOLIDATED PROFIT OR LOSS****1. a) Information on profit share received from loans:**

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Profit share on loans ^(*)	7.554.268	2.113.877	4.383.648	763.377
Short term loans	4.420.990	1.256.899	1.893.246	162.080
Medium and long term loans	3.103.111	856.978	2.453.293	601.297
Profit share on non-performing loans	30.167	-	37.109	-
Premiums received from resource utilization support fund	-	-	-	-

^(*) Includes fees and commissions income on cash loans.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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)****b) Information on profit share income from banks:**

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Central Bank of the Republic of Türkiye	-	-	-	-
Domestic Banks	105.532	62.269	52.523	5.513
Foreign Banks	-	560	-	1.809
Head Office and Branches	-	-	-	-
Total	105.532	62.829	52.523	7.322

c) Information on profit share income from securities portfolio:

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Financial Assets at Fair Value through Profit and Loss	-	31.316	-	20.745
Financial Assets at Fair Value through Other Comprehensive Income	1.976.994	112.865	2.626.220	85.323
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	286.067	212.164	4.588	71.560
Total	2.263.061	356.345	2.630.808	177.628

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

None (30 June 2022: None).

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

	Current Period 30 June 2023		Prior Period 30 June 2022	
	TRY	FC	TRY	FC
Banks	136.851	154.975	160.454	21.232
Central Bank of the Republic of Türkiye	-	-	205	-
Domestic Banks	136.851	77.703	160.249	19.413
Foreign Banks	-	77.272	-	1.819
Head Office and Branches	-	-	-	-
Other Institutions	-	227.436	-	76.876
Total	136.851	382.411	160.454	98.108

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

None (30 June 2022: None)

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

Profit share expenses on securities issued are TRY 572.851 (30 June 2022: TRY 349.518).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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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)

3) Presentation of dividends paid to participation accounts according to maturity structure:

Current Period 30 June 2023	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	167.458	-	-	-	167.458
Real Person's Non Commercial Participation Accounts	65.410	1.425.991	204.690	146.115	590.997	2.433.203
Public Sector Participation Accounts	729.670	510.899	82.749	2.287	-	1.325.605
Commercial Sector Participation Accounts	511.378	4.708.843	703.316	218.773	53.087	6.195.397
Other Institutions Participation Accounts	5.849	229.534	1.220	906	2.293	239.802
Total	1.312.307	7.042.725	991.975	368.081	646.377	10.361.465
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	138	1.367	-	-	-	1.505
Real Person's Non Commercial Participation Accounts	4.939	80.286	632	1.107	15.300	102.264
Public Sector Participation Accounts	2	5	-	-	-	7
Commercial Sector Participation Accounts	427	40.880	8.637	2	7	49.953
Other Institutions Participation Accounts	87.614	304.916	110.874	33	59	503.496
Public Sector Participation Accounts	4.060	-	-	-	-	4.060
Total	97.180	427.454	120.143	1.142	15.366	661.285
Grand Total	1.409.487	7.470.179	1.112.118	369.223	661.743	11.022.750

Prior Period 30 June 2022	Participation Accounts					
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	26.862	-	-	-	26.862
Real Person's Non Commercial Participation Accounts	61.031	679.756	56.020	30.540	89.527	916.874
Public Sector Participation Accounts	152.429	108.257	18.793	8.254	-	287.733
Commercial Sector Participation Accounts	173.378	916.810	514.830	90.760	18.511	1.714.289
Other Institutions Participation Accounts	3.283	111.445	8.617	699	252	124.296
Total	390.121	1.843.130	598.260	130.253	108.290	3.070.054
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	8.272	-	176	-	8.448
Real Person's Non Commercial Participation Accounts	5.035	49.431	2.493	2.137	15.249	74.345
Public Sector Participation Accounts	3	5	-	-	-	8
Commercial Sector Participation Accounts	759	72.350	37.709	1.814	723	113.355
Other Institutions Participation Accounts	10.712	95.890	42.797	31	27.019	176.449
Public Sector Participation Accounts	4.664	-	-	-	-	4.664
Total	21.173	225.948	82.999	4.158	42.991	377.269
Grand Total	411.294	2.069.078	681.259	134.411	151.281	3.447.323

4. Information on dividend income:

As of 30 June 2023, the Bank has no dividend income (30 June 2022: TRY 774).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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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)

5. a. Information on trading income/loss (Net)

	Current Period 30 June 2023	Prior Period 30 June 2022
Income	4.304.487	2.399.520
Foreign exchange gains	4.723	2.406
Gain on derivative financial instruments	202.334	77.172
Gain on capital market transactions	4.097.430	2.319.942
Losses (-)	3.187.930	2.356.103
Foreign exchange losses	18.175	3.055
Losses on derivative financial instruments	79.519	26.213
Losses on capital market transactions	3.090.236	2.326.835
Net	1.116.557	43.417

b. Information on profit/loss on Derivative Financial Operations:

	Current Period 30 June 2023	Prior Period 30 June 2022
Effect of the change in exchange rates on profit/loss	122.815	50.959
Total	122.815	50.959

6. Information on other operating income:

Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income:

	Current Period 30 June 2023	Prior Period 30 June 2022
Correction Account for Previous Years Expenses	1.511.945	458.901
Income from the Sale of the Asset	8.722	16.173
Provision for Communication Expenses	3.809	3.244
Checkbook Fees	381	324
Other	3.160	3.309
Total	1.528.017	481.951

(*) Of the correction account for previous year expenses, TRY 638.018 is from credit reserve cancellations (30 June 2022: TRY 246.129), TRY 600.000 from free reserve cancellations (30 June 2022: None), TRY 229.382 from participation accounts reserve cancellations (30 June 2022: TRY 105.985) and TRY 3 of securities depreciation reserve cancellations (30 June 2022 TRY 20.123).

7. Provision expenses for impairment on loans and other receivables:

	Current Period 30 June 2023	Prior Period 30 June 2022
Expected Credit Loss	1.626.622	820.018
12 month expected credit loss (stage 1)	914.664	389.131
Significant increase in credit risk (stage 2)	354.259	112.672
Non-performing loans (stage 3)	357.699	318.215
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other	41.052	418.674
Total	1.667.674	1.238.692

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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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)

8. Information on other operating expenses:

	Current Period 30 June 2023	Prior Period 30 June 2022
Provision of Employee Termination Benefits	23.256	6.376
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	111.303	42.866
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	20.028	12.233
Impairment Expense of Equity Participations for which Equity Method is Applied	-	-
Impairment Expenses of Assets Held for Sale	-	-
Depreciation Expenses of Assets Held for Sale	-	-
Impairment Expenses for Non-Current Assets Held for Sale and Discontinued Operations	-	-
Other Operating Expenses	330.179	160.036
Leasing Expenses Related to TFRS 16 Exceptions	1.172	763
Maintenance Expenses	55.695	15.037
Advertisement Expenses	67.522	27.925
Other Expenses	205.790	116.311
Loss on Sales of Assets	-	144
Other (*)	1.264.734	103.983
Total	1.749.500	325.638

(*) TRY 152.839 (30 June 2022 TRY 52.002) of the balance that constitutes the other item is from SDIF premium and audit and consultancy service expenses, TRY 73,166 (30 June 2022 TRY 34,824) is from taxes, fees and funds and other service expenses TRY 1.000.000 amount consists of donations made to AFAD due to the earthquake disaster in Kahramanmaraş and surrounding provinces in February.

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

As of 30 June 2023, the Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 30 June 2023	Prior Period 30 June 2022
Net Profit Share Income	2.521.951	4.185.621
Net Fees and Commissions Income	581.228	143.200
Dividend Income	-	774
Trading Income/Expense (Net)	1.116.557	43.417
Other Operating Income	1.528.017	481.951
Expected Loss Provision (-)	1.626.622	820.018
Other Provision Expense(-)	41.052	418.674
Personnel Expense	967.085	318.499
Other Operating Expenses (-)	1.749.500	325.638
Income/(Loss) from Continuing Operations	1.363.494	2.972.134

10. Information on tax provision for continued and discontinued operations:

As of 30 June 2023, the Bank has no tax provision expense (30 June 2022: TRY 860.553), deferred tax income is TRY 204.900 (30 June 2023: TRY 347.421 expense).

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

Net profit of the Bank from continuing operations is TRY 1.158.581 (30 June 2022: TRY 2.111.581 net profit).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF CONSOLIDATED PROFIT OR LOSS (Continued)

12. Information on net profit/loss:

- a) Nature, amount and frequency of income and expenses arising from ordinary banking activities, if required for the understanding the performance of the Bank in the current period:

The Bank, mainly utilizes its resources from domestic current and profit shares, securities and interbank operations. Besides, it obtains income via commissions taken from non-cash loans, other banking operations.

- b) The effect of the change in accounting estimates to the net profit/loss; including the effects to the future period, if any:

As of the balance sheet date, there is no change in accounting estimates that may require further explanations in the current period.

13. If other items in the income statement exceed 10% of the income statement total, sub-accounts constituting at least 20% of these items are shown below:

None (31 June 2022: None).

V. EXPLANATIONS AND NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Not prepared in compliance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

VI. EXPLANATIONS AND NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Not prepared in compliance with the Article 25 of the Communiqué on Financial Statements and Related Disclosures and Footnotes to be Announced to Public by Banks.

VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK

- 1) a) Information on the volume of transactions relating to the Parent Bank's risk group, outstanding loans and funds collected and income and expenses for the period:

Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at beginning of period	-	-	-	-	-	-
Balance at end of period	-	-	2.374	-	-	-
Profit share and commission income	-	-	3.330	-	-	-
Loans and other receivables	-	-	-	-	-	-

Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables						
Balance at the beg of the period	-	-	-	-	-	-
Balance at the end of the period	-	-	1.646	-	-	-
Profit share and commission income	-	-	2.374	-	-	-
Loans and other receivables	-	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE PARENT BANK
(Continued)****b) Current and profit sharing account held by the Bank's risk group:**

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Participation Accounts						
Profit Share Expenses	-	-	-	-	-	-

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

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Funds Borrowed						
Balance at the beginning of period	5.200.000	4.050.000	284.791	484.397	-	-
Balance at the end of the period	4.700.000	5.200.000	215.119	284.791	-	-
Profit share paid expense	572.851	349.518	6.751	10.186	-	-

**2) Information on forward transactions, option agreements and similar transactions between
the Parent Bank's risk group:**

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	5.928.040	1.708.791	-	-
Closing Balance	-	-	1.119.908	5.928.040	-	-
Total Profit/Loss	-	-	-	-	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management:

The total amount of benefits provided to the Bank's Senior Management is TRY 12.764 (31 December 2022: TRY 12.688).

**VIII. SIGNIFICANT EVENTS AND MATTERS ARISING SUBSEQUENT TO BALANCE SHEET
DATE**

At the Extraordinary General Assembly Meeting of the Bank for the year 2023 held on 3 August 2023, it has been decided to set aside 5% of the balance sheet profit of 2022, amounting to TRY 3.840.272 thousand, as general legal reserve fund of TRY 192.014 thousand, and to keep the remaining TRY 3.648.258 thousand within the Bank.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

SECTION SIX

EXPLANATIONS ON AUDITOR’S LIMITED REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S LIMITED REVIEW REPORT

As of June 30, 2023, the consolidated financial statements prepared for the accounting period ending on the same date are by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and the review report dated 8 August 2023 is presented before the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

SECTION SEVEN

INTERIM ACTIVITY REPORT

I. ASSESMENT OF CHAIRMAN

In the second quarter of 2023, the main agenda item of the global economy was the fight against inflation and the slowdown in interest rate increases in this context. Looking at the macro level, exports in China have decreased; The debt ceiling bill in the USA was concluded positively after long negotiations; In Europe, on the other hand, the improvement in inflation and the possibility of stopping the tight monetary policy in the near future come to the fore. All these matters; the expectation that the global inflationary pressure will decrease further in the coming periods, the positive signals from the economy and the slowdown in the rate of increase in interest rates will continue for a while; shows that it is possible to take steps towards relaxation starting from the third quarter of the year.

While the slowdown in the growth rate and the continuation of interest rate increases were observed in the US economy in the first quarter of 2023, the fact that the annual inflation data remained below the expectations in the second quarter of the year -although the data on the employment market came above expectations- showed that the FED had the opportunity to take a break from the policy of increasing interest rates. In parallel, the FED kept the policy interest rate constant for the first time in 15 months in June, in line with the expectations, and continued to take firm steps towards the 2% inflation target within the scope of the fight against inflation, and stated that the use of super core inflation would be an important choice in this context. On the other hand, developments regarding the debt ceiling were determinant on the risk appetite throughout May, while the parties' agreement as a result of the negotiations eliminated the risk of default. This development is the FED's response to a possible banking crisis; strengthened the expectation that it will take stricter steps in capital liabilities and risk assessments. The manufacturing sector PMI index, which is an indicator of the latest outlook of economic activity, remained below the 50 threshold level in June. This development also shows that interest rate hikes yield results and supports that the US economy is in the contraction zone.

On the other hand, it was emphasized by the European Central Bank that inflation has been very high for a long time; It has been stated that the fight against inflation is not over yet and this process will continue until the 2% target is reached in the medium term. Within the scope of the tight monetary policy, the interest rate may reach its peak in June or July, and the policy will be tighter for a while; however, it has been emphasized that this will gain downward momentum in 2024. As a result, it can be said that the economic recovery seen in Europe in the first quarter of 2023 continued in the second quarter of the year.

The economic recovery seen in the economies of developing countries in the first quarter of the year was replaced by an economic contraction in the second quarter of the year. Because the recovery of the Chinese economy lost momentum in April; exports fell for the first time in May. The manufacturing PMI index, which is an important indicator of the latest outlook of economic activity, also came in below expectations. All these can be considered as signs that global demand has weakened and risks in the economy have increased.

In Türkiye, the policy of controlling inflation risks and expectations and supporting the Turkish Lira continued in the second quarter of the year. At the MPC meeting held by the CBRT in June, by the Board; It was emphasized that necessary monetary and financial conditions will be created in order to decrease the underlying trend of inflation and to reach the 5% inflation target in the medium term. Similarly; It was stated that it was decided to start the monetary tightening process in order to anchor inflation expectations, to establish disinflation as soon as possible, to control the deterioration in pricing behavior and the negative impact of the economic shock caused by the earthquake on the budget. In this context, the policy rate was increased from 8.5% to 15%. On the other hand, programs supporting producers and exporters in loan disbursements continued. This situation is considered to be an important factor in maintaining our country's growth performance in the rest of the year. When viewed in the framework of all these; The expectation that the downward trend in economic growth and inflation, which is currently in a downward trend, will continue in the upcoming period has strengthened.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

INTERIM ACTIVITY REPORT (Continued)

Assesment of Chairman (Continued)

While the share of participation banking in the financial sector was 8.27% at the end of last year, this ratio increased to 8.37% as of May of the year. It is of great importance to maintain this positive performance in order to deepen our country's financial system and make it more resistant to risks.

While Ziraat Katılım Bank continues to increase its share in the sector, it continues to open branches to make it possible to deliver participation banking services to every corner of our country. In this context, our Bank is proud to open its 174th branch in 2023. Ziraat Katılım Bank will continue to branch out, to offer effective financial solutions with a customer-oriented approach at all our service points, and to further support the participation banking sector and our economy, within the framework of efficiency principles.

Alpaslan ÇAKAR
Chairman of the Board

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

INTERIM ACTIVITY REPORT (Continued)

I. Assessment of General Manager

Ziraat Katılım's total assets increased by 44% to TRY 305.8 billion in the second quarter of 2023 compared to the end of the previous year, while the funds collected increased by 48% to TRY 256.7 billion compared to the same period. While the cash funds provided increased by 47% to TRY 213.1 billion, Ziraat Katılım's cash and non-cash financing provided to the entire sector amounted to TRY 277 billion.

Ziraat Katılım completed the second quarter of 2023 with a profit of TRY 1.1 billion, as a result of its service approach that prioritizes customer satisfaction and the successful execution of its business cycle structured with a focus on efficiency.

Ziraat Katılım, which has rapidly expanded its branch network throughout Türkiye, reached 174 branches as of the 2nd quarter of 2023, with 173 branches in the country and 1 abroad.

OUR LEASE CERTIFICATE ISSUES REACHED TRY 62.1 BILLION TOTAL

Ziraat Katılım Bankası A.Ş. successfully completed the issuance of 6 lease certificates in the second quarter of 2023. Ziraat Yatırım Menkul Değerler A.Ş. While TRY 3.4 Billion of funding was obtained from these issuances made through our issuance, all of the lease certificate issuances received more than the issuance amount from investors. Ziraat Katılım, Türkiye's first participation bank with public capital, has reached a total volume of TRY 62.1 billion with the issuance of 145 lease certificates to investors since its inception in 2015.

WE HAVE IMPLEMENTED TOGG VEHICLE FINANCE

Türkiye's Automobile Initiative Group A.Ş. (Togg) and our bank, the "Togg Vehicle Finance" product was created to meet the financing demands of all real persons who want to buy the national automobile brand Togg smart vehicle. While financing transactions are implemented by the branch channel at the first stage, systemic developments are continuing to carry out the entire process through the mobile application.

WE OFFERED OUR TLREFK INDEX LEASING PRODUCT TO OUR CUSTOMERS

In leasing transactions, the "TLREFK Indexed Leasing" product was created and our new product was offered to all our customers in order to offer medium and long-term leasing financing services in accordance with Participation Banking, with a payment plan created in variable installments according to the Turkish Lira Overnight Participation Reference Return Rate (TLREFK) index.

WE CONTINUE TO FINANCE EMERGENCY SUPPORT FOR THE EARTHQUAKE REGION

Those operating in small industrial sites, organized industrial zones or outside them (workplace clustering and similar) in our provinces affected by the earthquakes that took place in 11 provinces in Kahramanmaraş on 06 February 2023 and described as the disaster of the century, and whose workplaces were damaged and documented this situation from the relevant official authorities. The "2023 Earthquake Emergency Support Financing" protocol signed between KOSGEB and our bank in order to provide financial support to enterprises under favorable conditions, and the "Earthquake Zone Operation Expenses Support Package", which was created in order to maintain the operations of businesses operating in cities in earthquake zones, continued.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

WE MADE CRITICAL STUDIES IN INFORMATION SYSTEMS

Within the scope of our Information Systems activities; With the Open Banking, Account Transactions and Payment Order Initiation project, another bank account display and payment order initiation service has been put into use; with a single mobile application, a single password, and a single security verification, it was possible to control and operate on all accounts. With the Daily Evaluated Account (Cash Account) project, the operational workload of our branches and head office sales teams was reduced, while customer dissatisfaction arising from operational errors was prevented. The second phase of the account opening process with digital approval, for all real persons and traders/traders other than Turkish citizens; Turkish, English, Arabic language options have been added and it can be done with digital approval.

As Ziraat Katılım, we continue to work devotedly to increase our contribution to the real economy in line with our values and ethical principles, which are the reflections of our deep-rooted corporate culture.

Best Regards,

Metin ÖZDEMİR
General Manager

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

INTERIM ACTIVITY REPORT (Continued)

III. Shareholding Structure

The paid in capital of Ziraat Katılım Bankası A.Ş. is TRY 7.350.000.000 and this capital is divided into 7.350.000.000 shares, each of which is worth 1.00 Turkish Liras. The Chairman and Members of the Board of Directors, the Members of the Audit Committee, and the General Manager and his Deputies do not own shares in the Bank.

Title	Share Amounts	Number of Shares
T.C. Ziraat Bankası A.Ş.	7.349.999.996	7.349.999.996
Ziraat Gayrimenkul Yatırım Ortaklığı A.Ş.	1	1
Ziraat İşletme Yönetimi ve Gayrimenkul Geliştirme A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

IV. Amendments To The Articles Of Association

The decision to increase the capital to TRY 7.350.000.000 was approved at the Extraordinary General Assembly meeting of the Bank held on March 31, 2023, and the capital increase and the related amendment made in the related article of the Articles of Association were registered on April 3, 2023, and dated April 3, 2023. It was announced in the Trade Registry Gazette No. 10803. Accounting for the said capital increase was carried out on April 3, 2023, based on the permission obtained from the BRSA. In this framework, the relevant article of the Articles of Association has been updated as indicated below.

Former Version of Article 6: The capital of the company is 2.650.000.000,00 Turkish Liras. This capital is divided into 265 million shares, each worth 1,00 Turkish Lira. The previous capital, which was 1.750.000.000,00 Turkish Liras, was fully paid in cash, free of collusion. This time, all of the 900.000.000 Turkish Liras increased in cash was transferred to TC Ziraat Bankası A.Ş. It has been committed in cash by and paid before registration.

New Version of Article 6: The capital of the company is 7.350.000.000,00 Turkish Liras. This capital is divided into 735000000 shares, each worth 1.00 Turkish Lira. The previous capital of 2.650.000.000,00 Turkish Liras was paid in cash, free of collusion. This time, all of the 4.700.000.000,00 Turkish Liras increased in cash was transferred to TC Ziraat Bankası A.Ş. It has been committed in cash by and paid before registration.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

INTERIM ACTIVITY REPORT (Continued)

V. Main Financial Indicators

Within Bank Assets, Loans with TRY 213.157.307 Thousand with 69%, Cash Values and Cash Equivalents with 27.766.197 Thousand TRY with 18%, Securities with TRY 33.972.332 Thousand with 11%, Other Assets with TRY 4.110.234 Thousand with 2%, gets a share.

Assets (Thousand TRY)	30 June 2023	31 December 2022	Variance (%)
Cash Values and Cash Equivalents	54.578.229	38.204.442	43
Securities	33.972.332	26.228.936	30
Loans	213.157.307	144.858.268	47
Other Assets	4.110.234	3.065.277	34
Total Assests	305.818.102	212.356.923	44

Funds Collected in Bank Liabilities with TRY 256.681.585 Thousand with 84%, Funds Other than Funds Collected with TRY 26.063.479 Thousand with 9%, Shareholders' Equity with TRY 15.712.690 Thousand with 5% and Other Liabilities with TRY 7.360.348 Thousand with 2% share takes.

Liabilities (Thousand TRY)	30 June 2023	31 December 2022	Variance (%)
Deposit	256.681.585	173.139.098	48
Non- Deposit Resources	26.063.479	20.413.611	28
Other Liabilities	7.360.348	7.425.769	(1)
Equity	15.712.690	11.378.445	38
Total Liabilities	305.818.102	212.356.923	44

Selected Income-Expenses (Thousand TRY)	30 June 2023	30 June 2022
Profit Share Income	14.855.460	8.587.342
Profit Share Expense	12.333.509	4.401.721
Net Profit Share Income	2.521.951	4.185.621
Net Fee and Commission Income	581.228	143.200
Dividend Income	-	774
Trading Profit/Loss	1.116.557	43.417
Other Operating Income	1.528.017	481.951
Other Operating Expense	1.749.500	325.638
Expected Loss Provision	1.626.622	820.018
Other Provision Expense	41.052	418.674
Personnel Expense	967.085	318.499
Profit / Loss Before Tax	1.363.494	2.972.134
Tax Provision	(204.900)	(860.553)
Net Profit/Loss	1.158.594	2.111.581

RATIOS (%)	30 June 2023	31 December 2022
Capital Adequacy Ratio	14,6	15,4
Equity / Total Assets	5,1	5,3
Total Loans / Total Assets	69,7	69
Borrowings/Total Assets	83,6	81,2
Non-Performing Loans (Gross)/Loans	0,9	1,3

(*) It includes Leasing Receivables.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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

INTERIM ACTIVITY REPORT (Continued)

VI. Information On The Consolidated Subsidiary

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.:

Ziraat Katılım Varlık Kiralama A.Ş. exclusively within the framework of the Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 07.06.2013 and numbered 28760, on 22.01.2016, with a capital of TRY 50.000, all of which was paid by Ziraat Katılım, and the permission was obtained from the Banking Regulation and Supervision Agency and the Capital Markets Board. has been established to export lease certificates.

The company's main address is Fatih / İSTANBUL.

As of 30 June 2023, the company has no personnel.

Shareholders	Address	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.000

Ziraat Katılım Varlık Kiralama A.Ş. The lease certificate redemptions made by the Company are shown in the table below.

Fund User	ISIN Code	Issue Amount	Issue Date	Redemption Date	Maturity-Day	Annual Simple Interest Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK72332	800.000.000,00	13.04.2023	25.07.2023	103	22,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK82315	600.000.000,00	26.04.2023	04.08.2023	100	22,50%
Ziraat Katılım Bankası A.Ş.	TRDZKVK82323	400.000.000,00	05.05.2023	16.08.2023	103	24,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK52417	500.000.000,00	25.05.2023	23.05.2024	364	27,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92314	500.000.000,00	09.06.2023	07.09.2023	90	33,00%
Ziraat Katılım Bankası A.Ş.	TRDZKVK92322	600.000.000,00	20.06.2023	27.09.2023	99	35,50%

Ziraat Katılım Varlık Kiralama A.Ş. The lease certificate redemptions made by the Company are shown in the table below.

Fund User	ISIN Code	Issue Amount	Issue Date	Redemption Date	Maturity Day	Annual Simple Interest Rate
Ziraat Katılım Bankası A.Ş.	TRDZKVK42319	100.000.000,00	08.04.2022	05.04.2023	362	16.364.380,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK42327	500.000.000,00	06.01.2023	13.04.2023	97	26.907.550,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK42335	600.000.000,00	17.01.2023	26.04.2023	99	32.954.820,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52318	500.000.000,00	27.01.2023	05.05.2023	98	27.520.550,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK52326	700.000.000,00	15.02.2023	18.05.2023	92	36.610.980,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK62317	800.000.000,00	07.03.2023	09.06.2023	94	46.356.160,00
Ziraat Katılım Bankası A.Ş.	TRDZKVK62325	1.000.000.000,00	15.03.2023	20.06.2023	97	58.465.800,00

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2023

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INTERIM ACTIVITY REPORT (Continued)

VI. Information On The Consolidated Subsidiary (Continued)

ZKB VARLIK KİRALAMA A.Ş.:

ZKB Varlık Kiralama A.Ş. With the capital of 50.000 TRY fully paid by Ziraat Katılım, with the permission of the Banking Regulation and Supervision Agency and the Capital Markets Board, on 08.09.2017, exclusively within the framework of the CMB's Lease Certificates Communiqué (III-61.1) published in the Official Gazette dated 07.06.2013 and numbered 28760. was established to issue lease certificates.

The company's main address is Fatih / İSTANBUL.

As of 30 June 2023, the company has no personnel.

Shareholders	Address	Number of Shares	Number of Shares
Ziraat Katılım Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. Fatih / İSTANBUL	50.000	50.000

VII. 2023 II. Interim Activities

Pursuant to the cooperation agreement signed between Türkiye's Automobile Initiative Group A.Ş. (Togg) and our Bank, the “**Togg Vehicle Financing**” product was created to meet the financing demands of all real persons who want to purchase the national automobile brand Togg smart vehicle. Financing transactions were implemented by the branch channel at the first stage, and systemic developments are continuing to carry out the entire process through the mobile application.

In leasing transactions, the “**TLRERFK Indexed Leasing**” product was created and our new product was offered to all our customers in order to offer medium and long-term leasing financing services in accordance with Participation Banking, with a payment plan created in variable installments according to the Turkish Lira Overnight Participation Reference Rate of Return (TLREFK) index.

Within the scope of sustainable development goals, “**CBRT Investment Committed Advance Financing**”, which is used to increase exports by supporting, contribute to domestic production by reducing imports, and support investments with high efficiency and added value for foreign exchange earning service revenues, has been put into practice.

Work has begun on the creation of new financing products within the scope of sustainability and the classification of our financing products within the framework of our Bank's sustainability policies.

Katılım Finans Kefalet A.Ş. (KFK) integration and protocol signing process has been started. In the upcoming period, it is aimed to implement new products to be used within the scope of KFK.

Within the scope of the support programs signed between the **Small and Medium Enterprises Development and Support Administration (KOSGEB)** and our Bank to encourage investments in production:

Within the scope of the Small and Medium Enterprises Development and Support Administration (KOSGEB) Vegetable and Fruit Cold Chain Leasing Support Program, the beneficiaries will be supported to a certain extent by the financial leasing method of the profit share to be accrued in the procurement of domestic goods and new cold storage units and/or refrigerated refrigerated cases/units. The “**Vegetables and Fruits Cold Chain Financial Leasing Support Program Protocol**” signed between KOSGEB and our Bank for the purpose of continuing.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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INTERIM ACTIVITY REPORT (Continued)

VII. 2023 II. Interim Activities (Continued)

Within the scope of the FOSTER Project titled **"Strengthening the Private Sector to Promote Social and Economic Cohesion in Türkiye (FOSTER)"**, financed by the European Union ("EU"), of which the German Development Bank ("KfW") is the program manager, KOSGEB Supports to businesses that are not banned Employment Contracted SME Financing Support Program (FOSTER), in which a part of the profit share is covered by KOSGEB, continued until 30 June 2023 in order to enable them to use financing under favorable conditions.

"Ankara Province Kahramankazan District Emergency Support Financing" application between KOSGEB and our Bank continued until 30 June 2023 in order to provide financial support under appropriate conditions to businesses that were affected by the explosion and fire in Kahramankazan District of Ankara and documented this situation from the relevant official authorities (Governorship/District Governorship).

In order to provide financial support under appropriate conditions to businesses that were affected by the earthquake in Düzce and documented this situation from the relevant official authorities (Governorship/District Governorship), the **"Düzce Province Emergency Support Financing"** application between KOSGEB and our Bank continued until 30 June 2023.

KOSGEB in order to provide financial support under appropriate conditions to businesses operating in small industrial sites, organized industrial zones or outside them (workplace clustering and similar) in our provinces affected by the earthquake that occurred on 06 February 2023 and the subsequent tremors and documenting this situation from the relevant official authorities. **"2023 Earthquake Emergency Support Financing"** practices continue between our Bank and our Bank.

Protocols were signed between the **Credit Guarantee Fund (KGF)** and our Bank within the scope of support packages in order to reduce the negative impact of the epidemic conditions on businesses and to support investments and made available to the beneficiaries. In this context;

The **"Education Support Package"**, which was created to finance the operating expenses of private education institutions defined in subparagraph c of the first paragraph of Article 2 of the Private Education Institutions Law No. 5580, which has difficulties in meeting personnel expenses, continues.

The **"Investment Support Package"** created to meet financing demands under favorable conditions for all SMEs and non-SME businesses that need collateral support to meet their financing needs within the scope of new or ongoing investments that will increase their production and employment capacities (with priority being given to companies operating in the manufacturing industry or exporting). " continues.

The New Housing Finance Program Support Package, which was created to finance the operating expenses of the construction companies operating in the construction sector, which signed a guarantor agreement with our Bank within the scope of the housing construction to be carried out within the framework of the New Housing Finance Program, continues.

The Housing Construction Support Package, which was created to provide financial support for the operating expenses of construction companies operating in the construction sector, continues.

The Digital Transformation Support Package, which was created to provide financial support for the completion of the digital transformation processes of SMEs operating in the manufacturing industry, continues.

Enterprises operating in technology development zones and specialized technology development zones within the scope of Law No. 4691, enterprises operating in Technology Development Centers (TEKMER) by KOSGEB, enterprises that have received Design Center Certificate and/or R&D Center Certificate from the Ministry of Industry and Technology under Law No. 5746 and the **"Technology Support Package"**, which was created to finance the investment and investment-related operating expenses of the enterprises with a Patent or Technological Product Experience Certificate (TUR).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 30 JUNE 2023**

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

INTERIM ACTIVITY REPORT (Continued)

VII. 2023 II. Interim Activities (Continued)

The "**EYT Support Package**", which was created within the framework of the Law No. 7438 dated March 03, 2023, to meet the financing needs of SMEs and non-SME companies that will pay severance pay due to retirement, continues.

The "**Entrepreneur Support Package**", which was created to support innovation and high technology production by facilitating access to finance for all entrepreneurs, especially young entrepreneurs, continues.

Within the framework of participation banking principles; The "**Export Support Package**", which was created to finance the working capital needs of SMEs operating in exporting or foreign exchange earning sectors and SMEs that are not currently exporters but have export potential, has been prepared and continues to provide support to our SMEs.

The "**Business Expenditures Support Package**", which was created to finance the working capital needs of SMEs and non-SME companies, continues.

The "**Manufacturing Industry Support Package**", which was created within the framework of the Treasury Supported Guarantee System, continues in order to facilitate the access to finance of SMEs and non-SME enterprises operating in the manufacturing industry sectors.

The "Foreign Exchange Earning Activities Support Package", which was created to increase the number of existing exporting companies and the export volumes realized, to be used by SMEs and non-SME companies operating in the exporting or foreign exchange earning services sectors, continues. The "**Entrepreneur Support Package**", which was created to support innovation and high technology production by facilitating access to finance for all entrepreneurs, especially young entrepreneurs, continues.

Real person businesses that want to open a new workplace for the production of goods and services, self-employment or commercial activity or operate on the basis of a business idea, legal person whose shares are owned by women entrepreneurs **at least 50%** of the total as of the date of application The "**Women Entrepreneur Support Package**", which was created to strengthen the women's entrepreneurship ecosystem by supporting enterprises and women's cooperatives, of which **at least 50%** of their members are women, continues.

Within the scope of the Joint Financing Support Program carried out in cooperation with KOSGEB and Development Agencies, the "**Regional-Oriented SME Support Package**", which was created to finance the operation and investment expenditures of SMEs that are entitled to support, especially those operating in the manufacturing industry, continues.

Due to the earthquake disaster that occurred on February 6, 2023, the "**Earthquake Zone Operation Expenses Support**" was created in order to maintain the activities of the businesses operating in the provinces of Kahramanmaraş, Gaziantep, Şanlıurfa, Diyarbakır, Adana, Adıyaman, Malatya, Osmaniye, Elazığ, Hatay and Kilis. package continues.

The "**Investment-Project Finance Support Package**", which was created to finance the investment and investment-related operating expenses of our SME and non-SME customers, who are planning to invest, primarily the enterprises operating in the manufacturing industry and exporting enterprises, continues.

Within the scope of the construction works defined in the Law No. 4734, the "**Construction Works Support Package**", which was created for the benefit of the contracting/construction companies (contractor) that signed contracts before 2022 and continued their commitments under this contract, and the companies that signed subcontractors within the scope of the aforementioned contracts (subcontractor), continues.

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INTERIM ACTIVITY REPORT (Continued)

VII. 2023 II. Interim Activities (Continued)

The “**Instant Financing**” product application, which enables our customers to finance the products they want to buy from stores that have an agreement with our Bank, through digital channels at any time of the day and without the need to go to the branch, continues.

“**Yeni Evim**” **Housing Finance and Extended Housing Finance** product applications continue in order to enable our customers to own housing with affordable financing conditions.

In return for the treasury guarantee of the Government of the Republic of Türkiye, the “**Immediate Working Capital Loan**” product to support SMEs in Türkiye continues by the management of the Islamic Development Bank (IDB) in favor of Ziraat Katılım.

In order to ensure that our middle-income customers own a home with affordable financing conditions, “**Yeni Evim**” **Housing Finance** product applications continue, and a total of 714 disbursements were made.

Within the framework of sustainability, the product application of the “**Housing Heat Insulation Loan**”, which enables real person customers to finance their thermal insulation and roof insulation expenses under appropriate conditions, continues in order to increase the efficiency and reduce the costs of the energy they use for heating in residential areas, as well as to reduce carbon emissions.

Within the scope of sustainability, our “**Agriculture Financing**” product studies have been completed in order to provide all kinds of financial support in line with the principles of Participation Banking in order to develop agriculture in our country, increase mechanization and agricultural lands in agriculture, strengthen livestock, minimize imports and maximize exports in agriculture, in order to realize conscious, high quality and efficient production.

In addition to the Ziraat Katılım Mobile POS application, efforts are underway to implement the **Ziraat Katılım Mobile POS Basic Sales Application**, which can be offered to member businesses subject to the Communiqué 507 and 509 of the Tax Procedure Law, in 2023.

With the **TR QR code** infrastructure, payment flow is supported in our cards and POS, and our efforts to expand our POS devices are continuing.

Work has begun on the implementation of our **Commercial Credit Card** product, which allows business owners to finance their needs and easily track their expenditures.

In order to increase the widespread use of **TROY**, the domestic and national card scheme in card payments, **TROY** card issuance will be started and made available to our customers.

ATM and OPEN BANKING

In March 2023, all of our ATMs were combined with Ziraat Bank, Halkbank, Vakıfbank, PTT, Vakıf Katılım Bankası and Emlak Katılım Bankası ATMs and included in Türkiye's ATM Center (TAM ATM) structure, covering all parts of our country with approximately 20.000 ATMs.

The ATM infrastructure Ocean 2.0 application was expanded to all ATMs in June.

Our bank's accounts can be monitored from other bank applications and money transfer transactions can be made. (HHS)

The customer's account and details in other banks will be displayed on the Internet and Mobile Branch. It will be possible to transfer money from these accounts. (YÖS)

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INTERIM ACTIVITY REPORT (Continued)

VII. 2023 II. Interim Activities (Continued)

WEB, MOBILE and INTERNET BRANCH:

Somalia corporate website has been put into service of our customers.

Our device activation structure has been updated in order to enable faster login and transaction with the device identification method from Katılım Mobile. With our new flows, our customers will be able to perform their transactions quickly and safely on secure mobile devices.

Katılım Mobile Document Send function has been put into service of our customers so that documents that are missing or need to be updated from Katılım Mobile are completed without going to the branch.

It is now possible to perform Forgot Password, Get Password, Sim Card Verification and Mobile Phone Number Update operations on Katılım Mobil with the new TR ID card and face recognition.

Individual applications can be received via video call from Katılım Mobil. Account opening applications for commercial and private companies can be received from Katılım Mobil, thus allowing distance applications to be made for all customer segments.

In order to make instant updates on the visuals displayed on the Internet Branch and the Participation Mobile login screens, updates will be made through our Content Management System. Internet/Mobile Banking User Experience Improvements, frontend arrangements and our infrastructure will be renewed.

It will be ensured that stock purchase/sell transactions can be made through our channels.

Togg vehicle financing applications will be received from Katılım Mobil.

Our total number of channel customers has increased by 32% compared to the end of 2022. Our number of active internet banking customers reached 610,287 in the second quarter of 2023.

CUSTOMER CONTACT CENTER AND QUALITY:

With remote authentication, it will be possible to open accounts for legal and private companies.

By performing remote authentication via video call, our customers will be able to update their transaction limits without going to the branch.

All voice calls of our customers calling the call center regarding our products and services will be analyzed with the support of artificial intelligence.

It is planned to develop an automatic call system that will completely eliminate the outbound call operation, which takes about 3 minutes on average.

It is planned to develop the infrastructure in which satisfaction surveys can be made about our customer's product and service usage.

It is planned to develop methods by which voice biometrics can be obtained and to use it as an alternative authentication element in channels.

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INTERIM ACTIVITY REPORT (Continued)

VII. 2023 II. Interim Activities (Continued)

Studies of the Department of Information Systems Management

Important studies completed and commissioned within the scope of our Information Systems activities;

With the Open Banking - Account Transactions and Payment Order Initiation project, other bank account display and payment order initiation services were put into use, enabling control and transaction processing on all accounts with a single mobile application, a single password, and a single security verification.

With the Daily Evaluated Account (Cash Account) project, the operational workload of our branches and head office sales teams was reduced, and customer dissatisfaction caused by operational errors was prevented.

With the "Certificate Request from Our Customers" project via the Participation Mobile and Internet Branch, branch personnel were able to request documents from customers in the digital environment and customers were able to send their documents to the bank digitally without coming to the branch.

With the Calculation of the Return and Cost Ratios of the Assets and Liabilities Items of the Bank's Balance Sheet, the Bank's profitability was measured in short and long terms in terms of stock and margin, and operational risk was eliminated by making manual calculations systematic.

With the Additional Developments of Ziraat Audit Internal Control Application, it was possible to identify customers with internal control detection on the Inter-Customer and My Participation Customer screens, and improvements were made to the Headquarters Control Reports.

With the project of Integrating the Findings of Branch Audits into Intervision, Creating Business Processes and IS Audit Screens, it was possible to identify customers with inspection detections on the Inter-Customer and My Participation Customer screens, and improvements were made in the report outputs.

Retail Banking Group Presidency

Retail Banking Group Presidency As Retail Banking, we continued to provide innovative, customer-oriented service in all channels in line with our strategic goals, and achieved a 26% growth performance in funds and financing in the second quarter. In the second quarter of the year, we opened 8 new branches that had a multiplier effect on our performance. Thus, we have reached 173 branches in 56 provinces, 153 of which are retail, 14 commercial and 6 corporate.

Demand for our financial leasing products, which have many conveniences such as access to long-term financing and payment opportunities in line with cash flow, continued to increase in the second quarter as well. As retail banking, we have reached a Financial Leasing balance of TRY 18.1 Billion, with an increase of 56% in the 2nd quarter.

With our Currency Protected Deposit products, we offer our customers important advantages such as not being harmed by exchange rate differences, profit share return, and zero withholding tax. As of the second quarter of 2023, the amount of currency protected deposits at our Bank reached TRY 54.4 Billion.

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INTERIM ACTIVITY REPORT (Continued)

VII. 2023 II. Interim Activities (Continued)

We will continue to meet all the financial needs of our customers with our agricultural products in the second quarter of the state-supported agricultural financing that we started in the first quarter. Our bank, which is the first and only participation bank in the field of agriculture, continued its development rapidly.

On the way to becoming the main bank of SMEs, which form the basis of economic growth, support packages were offered to our SMEs in cooperation with KGF and KOSGEB at the point of financing and guarantee. In this sense, we continued to make positive discrimination especially for our SMEs located in the earthquake zone.

In the first quarter of 2023, we continued to increase our support to the real sector with a focus on producers and exports. Work continued on the first phase of our SME value proposition project, which will meet the financial needs of SMEs 360 degrees with our products and services. In this context, new innovations in Cash Transaction, Foreign Trade and Insurance were introduced in order to facilitate the financial transactions of our customers.

VIII. Expectations regarding the post 2023 II. Interim period

In the second quarter of 2023, the most important topics of the global economic agenda were the fight against inflation and recession concerns. At the end of the first half of the year, it was observed that the concerns about the banking sector remained on the agenda, although they decreased. On the other hand, the continuation of geopolitical uncertainties brought about by the Russia-Ukraine war remained as the biggest threat to the global economy. Economic administrations in developed and developing countries have spent the most intensive work to reverse the inflationary trend. While some countries have adopted hard interventions with radical decisions, some countries have taken steps for soft transitions. On the one hand, although the effects of the interest rate hikes we saw in the first quarter were observed, new interest rate hikes took place in the second quarter; On the other hand, steps were taken to limit consumption on a global scale with the updates in loan disbursement conditions. As a result of all these, inflation in the global economy remained above the average in the long run, despite a downward trend.

In the USA, the slowdown in growth rate and the continuation of interest rate hikes were observed in the first quarter of the year; The fact that annual inflation was below expectations in the second quarter of the year brought up the possibility of interrupting the interest rate hike cycle. At the FED meeting held in June, the policy interest rate was kept constant at the 5.00 - 5.25% band for the first time after the fifteen-month upward trend, in line with the expectations. On the other hand, within the scope of financial tightening, revisions in capital requirements and credit conditions are envisaged. In the second quarter, a consensus was reached on the debt ceiling law, which is one of the issues that occupied the US economy the most, and the situation was prevented from turning into a crisis. Average hourly earnings, which were above the inflation rate, in May and June, after two years, signaled that the purchasing power of employees began to increase. With the effect of the fight against inflation, an increase is expected in the unemployment rate in the second half of the year, and it is estimated that it will reach its peak in 2024. The fact that the manufacturing sector PMI index was below the 50 threshold level in May and June after the rise in April showed that the US economy continued its course in the contraction zone.

In the Euro Zone, the main agenda item in the second quarter of the year was the fight against inflation, as in the first quarter. While it was stated that decisive steps would not be given up until reaching the 2% inflation target, interest rate hikes continued in the second quarter. In the second half of the year, while the effects of current policies were monitored; It was emphasized that new interest rate hike decisions could be taken by the European Central Bank. While the continuation of the Russia-Ukraine war did not allow for the elimination of the problems in energy prices and security, the negative effects of the war continued to be one of the biggest obstacles to regional and global economic recovery.

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INTERIM ACTIVITY REPORT (Continued)

VIII. Expectations regarding the post 2023 II. Interim period

In the second quarter of the year, the main agenda item in developing countries as well as in developed countries was the struggle to reverse the inflationary environment. It is predicted that the upcoming period will be a recovery period with the increasing economic activity with the end of the strict epidemic measures in China; A growth rate of 5.4% is expected by the OECD for 2023. On the other hand, interest rates were cut in June to increase economic activity.

The second quarter of the year witnessed changes in both economic management and monetary policies in Türkiye. In our country, which struggled to alleviate the effects of the earthquake in February and left the election period behind, new policies were adopted with the changes in the economic management staff, and steps towards tightening with the aim of combating inflation continued. The Central Bank increased the policy rate from 8.5% to 15% at the MPC meeting in June, and updated the loan conditions and rates within the scope of tightening steps. In our country, which is expected to achieve a growth rate of 3.6% according to OECD forecasts for 2023, new interest rate increases and different tightening steps are expected to be taken in line with inflation targets in the second half of the year. The downward trend in inflation, which we witnessed in the first quarter of the year, continued in the second quarter as well.

The course of the Russia-Ukraine war in our country, which is very sensitive to global developments due to its geopolitical position, is one of the important topics to be followed in the second half of the year. In order to solve the high energy and commodity costs affecting the Turkish economy and the supply-side problems arising from them, studies have been carried out to increase alternatives through the discovery of new energy sources. In the upcoming period, it is foreseen that efforts will be made to bring inflation down to the desired levels, taking into account the targets related to growth and unemployment rates.

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