

**ZIRAAT KATILIM BANKASI
ANONIM SİRKETİ**

**PUBLICLY ANNOUNCED CONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 31 MARCH 2021 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

(Convenience translation of the independent auditor's review report originally issued in Turkish, See Note I of Section Three)

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 31 March 2021 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 three-month-period then ended. The Bank 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 these interim 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, on the accompanying consolidated financial statements as at 31 March 2021 include a free provision amounting to TL 45.000 thousand provided in prior years 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 31 March 2021 and the results of its consolidated operations and its consolidated cash flows for the three-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:

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

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

Halûk Yalçın, SMMM
Partner

Istanbul, 10 May 2021

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

THE CONSOLIDATED INTERIM FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş AS OF 31 MARCH 2021

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
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The consolidated financial report for the three 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.	-	-
2	ZKB Varlık Kiralama A.Ş.	-	-

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

Hüseyin AYDIN
Chairman of the Board

Metin OZDEMİR
Member of the Board,
General Manager

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

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

Osman KARAKÜTÜK
Vice President of Treasury
Management and
International Banking

Gürkan ÇAKIR
Head of Financial
Management Department

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

Name-Surname/Position : Mesut Küçük / Financial Reporting Manager
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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY- 31 MARCH 2021

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

SECTION ONE

GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım 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 TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 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 TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on September 20, 2018, the paid-in capital of the Bank has been raised from TL 1.250.000 to TL 1.750.000 by increasing the amount of cash by TL 500.000.

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY- 31 MARCH 2021

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

As of 31 March 2021 and 31 December 2020, main shareholders and capital amounts as follows:

Name of Shareholders	31 March 2021		31 December 2020	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. (*)	1.750.000	99,9999996	1.750.000	99,9999996
Türkiye Sigorta A.Ş.	-	0,0000001	-	0,0000001
Türkiye Hayat ve Emeklilik A.Ş.	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
Total	1.750.000	100,00	1.750.000	100,00

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

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

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

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Fikretin AKSU	Vice chairman of the BOD, Member of the Audit Committee, Member of Corporate Management Committee
Metin ÖZDEMİR	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Mahmut Esfa EMEK(*)	Member of the BOD, Member of Audit Committee, Member of Pricing Committee, Alternate Member of Credit Committee
Ahmet BUÇUKOĞLU	Member of the BOD, Member of Credit Committee,
Hasan DURSUN	Member of the BOD, Member of Corporate Management Committee, Member of Credit Committee
Assistant General Manager	
DR. Ahmet ORTATEPE	Credit Policies
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Branch Banking and Sales Management(**)

(*) Mahmut Esfa Emek was appointed as a member of the Audit Committee as of 31 March 2021.

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY- 31 MARCH 2021

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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 (Continued)

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. (*)	1.750.000	100,00	1.750.000	-
Total	1.750.000	100,00	1.750.000	-

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

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

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

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

As of 31 March 2021, the Bank operates with its 104 domestic branches (31 December 2020: 104 domestic branches) and 105 branches in total, including the Sudan branch, which started operations as of 27 August 2020 abroad. 1.310 employees domestically (31 December 2020: 1.261).

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

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank's subsidiary Ziraat

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY- 31 MARCH 2021

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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 (Continued)

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

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 MARCH 2021

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (V-I)	Current Period (31/03/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		6.121.325	11.085.106	17.206.431	5.195.516	11.233.289	16.428.805
1.1 Cash And Cash Equivalents		1.298.736	9.707.381	11.006.117	419.033	9.854.915	10.273.948
1.1.1 Cash And Balances With Central Bank	(1)	1.292.132	5.876.792	7.168.924	409.579	5.067.541	5.477.120
1.1.2 Banks	(2)	9.055	3.830.589	3.839.644	12.394	4.787.374	4.799.768
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		2.451	-	2.451	2.940	-	2.940
1.2 Financial Assets Measured At Fair Value Through Profit/Loss	(3)	983.021	-	983.021	980.872	-	980.872
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		983.021	-	983.021	980.872	-	980.872
Financial Assets Measured at Fair Value Through Other Comprehensive Income	(4)	3.822.748	1.373.265	5.196.013	3.767.367	1.378.365	5.145.732
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		10.412	-	10.412	10.412	-	10.412
1.3.3 Other Financial Assets		3.812.336	1.373.265	5.185.601	3.756.955	1.378.365	5.135.320
1.4 Derivative Financial Assets	(5)	16.820	4.460	21.280	28.244	9	28.253
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		16.820	4.460	21.280	28.244	9	28.253
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		29.157.797	16.170.870	45.328.667	29.455.349	13.530.498	42.985.847
2.1 Loans	(6)	27.057.432	12.417.663	39.475.095	27.553.401	10.670.016	38.223.417
2.2 Lease Receivables		3.105.940	3.133.585	6.239.525	2.851.377	2.284.842	5.136.219
2.3 Measured at Amortized Cost	(7)	-	843.237	843.237	-	779.437	779.437
2.3.1 Government Securities		-	843.237	843.237	-	779.437	779.437
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		1.005.575	223.615	1.229.190	949.429	203.797	1.153.226
ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	91.417	-	91.417	75.240	-	75.240
3.1 Assets Held for Sale		91.417	-	91.417	75.240	-	75.240
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	-	-	-	-	-	-
4.1 Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Method Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	181.198	83	181.281	177.601	363	177.964
VI. INTANGIBLE ASSETS (Net)	(11)	170.740	-	170.740	161.257	-	161.257
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		170.740	-	170.740	161.257	-	161.257
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		17.801	7	17.808	-	-	-
IX. DEFERRED TAX ASSETS	(13)	72.684	-	72.684	108.597	-	108.597
X. OTHER ASSETS	(14)	242.946	26.324	269.270	213.728	35.458	249.186
TOTAL ASSETS		36.055.908	27.282.390	63.338.298	35.387.288	24.799.608	60.186.896

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 31 MARCH 2021

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES	Note (V-II)	Current Period (31/03/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	24.050.684	24.178.540	48.229.224	24.902.462	21.483.588	46.386.050
II. FUNDS BORROWED	(2)	396.526	1.238.820	1.635.346	380.086	1.046.528	1.426.614
III. MONEY MARKETS DEBTS	(3)	3.403.126	-	3.403.126	2.101.073	-	2.101.073
IV. SECURITIES ISSUED (Net)	(4)	3.316.148	-	3.316.148	4.017.250	-	4.017.250
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	89	1.816	1.905	-	19.440	19.440
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		89	1.816	1.905	-	19.440	19.440
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	131.807	2.339	134.146	111.946	15.688	127.634
VIII. PROVISIONS	(8)	239.134	231.815	470.949	211.628	197.616	409.244
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		60.611	-	60.611	56.070	-	56.070
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		178.523	231.815	410.338	155.558	197.616	353.174
IX. CURRENT TAX LIABILITY	(9)	46.425	62	46.487	96.490	142	96.632
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)	300.391	831.815	1.132.206	312.489	768.037	1.080.526
12.1 Loans		300.391	831.815	1.132.206	312.489	768.037	1.080.526
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	647.841	473.678	1.121.519	571.531	216.629	788.160
XIV. SHAREHOLDERS' EQUITY	(14)	3.847.117	125	3.847.242	3.734.357	(84)	3.734.273
14.1 Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(7.068)	-	(7.068)	(7.068)	-	(7.068)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(21.251)	125	(21.126)	(9.259)	(84)	(9.343)
14.5 Profit Reserves		1.739.171	-	1.739.171	1.098.041	-	1.098.041
14.5.1 Legal Reserves		92.316	-	92.316	60.388	-	60.388
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		1.600.788	-	1.600.788	991.586	-	991.586
14.5.4 Other Profit Reserves		46.067	-	46.067	46.067	-	46.067
14.6 Profit or (Loss)		124.752	-	124.752	641.130	-	641.130
14.6.1 Prior Period Profit/Loss		-	-	-	2.568	-	2.568
14.6.2 Current Period Profit/Loss		124.752	-	124.752	638.562	-	638.562
TOTAL LIABILITIES		36.379.288	26.959.010	63.338.298	36.439.312	23.747.584	60.186.896

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 31 MARCH 2021

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (V-III)	Current Period (31/03/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		9.367.141	13.403.603	22.770.744	9.924.766	13.934.400	23.859.166
I. GUARANTEES AND WARRANTIES	(1)	7.137.440	11.225.559	18.362.999	6.839.282	9.076.488	15.915.770
1.1 Letters of Guarantee		6.995.993	7.371.263	14.367.256	6.691.971	5.882.397	12.574.368
1.1.1 Guarantees Subject to State Tender Law		219.735	2.306.027	2.525.762	190.927	1.696.645	1.887.572
1.1.2 Guarantees Given for Foreign Trade Operations		6.457.111	-	6.457.111	6.156.513	-	6.156.513
1.1.3 Other Letters of Guarantee		319.147	5.065.236	5.384.383	344.531	4.185.752	4.530.283
1.2 Bank Acceptances		-	16.756	16.756	-	7.687	7.687
1.2.1 Import Letter of Acceptance		-	16.756	16.756	-	7.687	7.687
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		37.472	1.941.780	1.979.252	40.077	1.340.566	1.380.643
1.3.1 Documentary Letters of Credit		37.472	1.941.780	1.979.252	40.077	1.340.566	1.380.643
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		97.813	1.892.293	1.990.106	98.155	1.841.367	1.939.522
1.7 Other Collaterals		6.162	3.467	9.629	9.079	4.471	13.550
II. COMMITMENTS	(1)	704.174	175.148	879.322	564.143	97.454	661.597
2.1 Irrevocable Commitments		704.174	175.148	879.322	564.143	97.454	661.597
2.1.1 Forward asset purchase commitments		102.646	175.148	277.794	57.678	97.454	155.132
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		355.454	-	355.454	268.625	-	268.625
2.1.7 Tax and Fund Liabilities from Export Commitments		19.069	-	19.069	16.428	-	16.428
2.1.8 Commitments for Credit Card Limits		65.018	-	65.018	48.071	-	48.071
2.1.9 Commitments for Credit Cards and Banking Services Promotions		34	-	34	1	-	1
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12 Other Irrevocable Commitments		161.953	-	161.953	173.340	-	173.340
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		1.525.527	2.002.896	3.528.423	2.521.341	4.760.458	7.281.799
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		1.525.527	2.002.896	3.528.423	2.521.341	4.760.458	7.281.799
3.2.1 Forward Foreign Currency Buy/Sell Transactions		17.916	507.334	525.250	15.631	2.168.006	2.183.637
3.2.1.1 Forward Foreign Currency Transactions-Buy		8.631	256.727	265.358	14.299	1.068.995	1.083.294
3.2.1.2 Forward Foreign Currency Transactions-Sell		9.285	250.607	259.892	1.332	1.099.011	1.100.343
3.2.2 Other Forward Buy/Sell Transaction		1.507.611	1.495.562	3.003.173	2.505.710	2.592.452	5.098.162
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		55.097.468	11.726.947	66.824.415	49.071.158	9.620.414	58.691.572
IV. ITEMS HELD IN CUSTODY		4.302.368	3.741.286	8.043.654	4.288.838	3.663.765	7.952.603
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		3.301.423	-	3.301.423	3.456.809	-	3.456.809
4.3 Checks Received for Collection		905.755	159.830	1.065.585	763.292	105.777	869.069
4.4 Commercial Notes Received for Collection		94.915	43.037	137.952	66.130	47.052	113.182
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		275	618.796	619.071	2.607	611.077	613.684
4.8 Custodians		-	2.919.623	2.919.623	-	2.899.859	2.899.859
V. PLEDGES RECEIVED		50.795.100	7.985.661	58.780.761	44.782.320	5.956.649	50.738.969
5.1 Marketable Securities		4.215.670	71.906	4.287.576	4.625.008	81.855	4.706.863
5.2 Guarantee Notes		2.052.235	244.420	2.296.655	1.730.425	202.551	1.932.976
5.3 Commodity		2.389.051	1.019.762	3.408.813	2.190.421	803.351	2.993.772
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		34.103.107	5.266.840	39.369.947	30.944.489	3.734.417	34.678.906
5.6 Other Pledged Items		8.035.037	1.382.733	9.417.770	5.291.977	1.134.475	6.426.452
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		64.464.609	25.130.550	89.595.159	58.995.924	23.554.814	82.550.738

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 THREE MONTH PERIOD ENDED 31 MARCH 2021

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME/EXPENSE ITEMS	Note (V-IV)	Current Period 01/01/2021-31/03/2021	Prior Period 01/01/2020-31/03/2020
I. PROFIT SHARE INCOME	(1)	1.279.952	901.896
1.1 Profit Share on Loans		964.909	713.921
1.2 Profit Share on Reserve Deposits		27.200	4.000
1.3 Profit Share on Banks		505	-
1.4 Profit Share on Money Market Placements		-	-
1.5 Profit Share on Marketable Securities Portfolio		170.102	86.199
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		2.784	10.575
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		154.003	75.624
1.5.3 Financial Assets Measured at Amortised Cost		13.315	-
1.6 Financial Lease Income		107.470	94.256
1.7 Other Profit Share Income		9.766	3.520
II. PROFIT SHARE EXPENSE	(2)	1.037.981	424.095
2.1 Profit Share Expense on Participation Accounts		730.211	288.772
2.2 Profit Share Expense on Funds Borrowed		46.379	60.346
2.3 Profit Share Expense on Money Market Borrowings		104.346	1.467
2.4 Expense on Securities Issued		150.207	67.764
2.5 Lease Profit Share Expense		6.133	5.746
2.6 Other Profit Share Expenses		705	-
III. NET PROFIT SHARE INCOME/EXPENSE (I - II)		241.971	477.801
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		30.866	16.936
4.1 Fees and Commissions Received		45.738	36.232
4.1.1 Non-cash Loans		36.119	27.357
4.1.2 Other		9.619	8.875
4.2 Fees and commissions paid (-)		14.872	19.296
4.2.1 Non-cash Loans		-	-
4.2.2 Other		14.872	19.296
V. DIVIDEND INCOME	(3)	-	-
VI. NET TRADING INCOME (Net)	(4)	89.255	29.226
6.1 Capital Market Transaction Gains / Losses		(1.742)	39.068
6.2 Gains/ Losses From Derivative Financial Instruments		(40.072)	24.858
6.3 Foreign Exchange Gains / Losses		131.069	(34.700)
VII. OTHER OPERATING INCOME	(5)	226.990	71.524
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		589.082	595.487
IX. EXPECTED CREDIT LOSSES (-)	(6)	272.800	311.748
X. OTHER PROVISIONS (-)		21.494	16.016
XI. PERSONNEL EXPENSES (-)		72.566	53.976
XII. OTHER OPERATING EXPENSES (-)	(7)	69.455	67.708
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		152.767	146.039
XIV. INCOME RESULTED FROM MERGERS		-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XVI)	(8)	152.767	146.039
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(28.015)	(32.472)
18.1 Current Tax Provision		(15.250)	(32.280)
18.2 Expense Effect of Deferred Tax (+)		(22.111)	(5.738)
18.3 Income Effect of Deferred Tax (-)		9.346	5.546
XIX. NETOPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)	(10)	124.752	113.567
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)	124.752	113.567
Earnings per share income/loss (Full TL)		0,0713	0,0649

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 THREE MONTH PERIOD ENDED 31 MARCH 2021**

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

ZİRAAT KATILIM BANKASI A.Ş CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 01/01/2021-31/03/2021	Prior Period 01/01/2020-31/03/2020
I. CURRENT PERIOD PROFIT/LOSS	124.752	113.567
II. OTHER COMPREHENSIVE INCOME	(11.783)	(31.106)
2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss	-	-
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	-	-
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	(11.783)	(31.106)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(14.719)	(39.903)
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	2.936	8.797
III. TOTAL COMPREHENSIVE INCOME (I+II)	112.969	82.461

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 THREE MONTH PERIOD ENDED 31 MARCH 2021

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

ZİRAAT KATILIM BANKASI A.Ş. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																	
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY					Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss					Current Period 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)					
PRIOR PERIOD 31 MARCH 2020																	
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	544.963	-	3.166.828	-	3.166.828	
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1. Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	544.963	-	3.166.828	-	3.166.828	
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	(31.106)	-	-	-	113.567	82.461	-	82.461	
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/Decrease by Other Changes (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Period End Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(2.365)	-	-	25.965	-	555.646	544.963	113.567	3.249.289	-	3.249.289	
CURRENT PERIOD 31 MARCH 2021																	
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(7.068)	-	-	(9.343)	-	1.098.041	641.130	-	3.734.273	-	3.734.273	
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1. Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(7.068)	-	-	(9.343)	-	1.098.041	641.130	-	3.734.273	-	3.734.273	
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	(11.783)	-	-	-	124.752	112.969	-	112.969	
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increase/decrease by other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	641.130	(641.130)	-	-	-	-	
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	638.562	(638.562)	-	-	-	-	
11.3 Other	-	-	-	-	-	-	-	-	-	-	2.568	(2.568)	-	-	-	-	
Period end Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(7.068)	-	-	(21.126)	-	1.739.171	-	124.752	3.847.242	-	3.847.242	

- Increases and decreases in Tangible and Intangible Assets Revaluation Reserve
- Accumulated Gains / Losses on Remeasurements of Defined Benefit Plans,
- Other (Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will not be Reclassified to Profit or Loss and Other Accumulated Amounts of Not Reclassified Through Profit or Loss)
- Exchange Differences on Translation
- Accumulated gains (losses) due to revaluation and/or reclassification of financial assets at fair value through other comprehensive income
- Other (Accumulated Gains or Losses on Cash Flow Hedges, Other Comprehensive Income of Associates and Joint Ventures Accounted for Using Equity Method that will be Reclassified to Profit or Loss and Other Accumulated Amounts of Reclassified Through Profit or Loss)

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2021

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Section (V) Note (VI)	Current Period 01/01/2021 - 31/03/2021	Prior Period 01/01/2020 - 31/03/2020
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities)		(32.867)	(16.461)
1.1.1 Profit Share Income Received	(1)	1.168.662	838.986
1.1.2 Profit Share Expense Paid	(1)	(1.124.058)	(490.691)
1.1.3 Dividend Received		-	-
1.1.4 Fees and Commissions Received		45.738	25.918
1.1.5 Other Income		316.245	100.751
1.1.6 Collections from Previously Written-off Loans		44.720	24.248
1.1.7 Payments to Personnel and Service Suppliers		(72.566)	(53.976)
1.1.8 Taxes Paid		(46.487)	(38.777)
1.1.9 Others ^(*)		(365.121)	(422.920)
1.2 Changes in Operating Assets and Liabilities		3.304.038	848.521
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		54.757	(374.292)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(386.083)	477.986
1.2.3 Net (Increase) / Decrease in Loans		(1.251.678)	(1.841.500)
1.2.4 Net (Increase) / Decrease in Other Assets		(1.171.672)	(293.200)
1.2.5 Net Increase / (Decrease) in Bank Funds		1.275.331	5.675
1.2.6 Net Increase / (Decrease) in Other Funds		567.843	2.913.808
1.2.7 Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss		(17.535)	(11.985)
1.2.8 Net Increase / (Decrease) in Funds Borrowed		195.619	20.577
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities		4.037.456	(48.548)
I. Net Cash Provided from Banking Operations		3.271.171	832.060
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		(83.240)	(542.798)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	-
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		-	-
2.3 Purchases of Tangible Assets		(26.144)	(15.659)
2.4 Disposals of Tangible Assets		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		11.076	(471.316)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortized Cost		(63.800)	(52.741)
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		(4.372)	(3.082)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		(2.758.595)	1.036.282
3.1 Cash Obtained from Funds Borrowed And Securities Issued		450.579	2.440.846
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(3.402.000)	(1.850.000)
3.3 Issued Equity Instruments		201.052	448.743
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(8.226)	(3.307)
3.6 Other		-	-
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(1)	7.709	40.409
V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)		437.045	1.365.953
VI. Cash And Cash Equivalents At The Beginning Of The Period	(1)	4.686.157	1.063.929
VII. Cash And Cash Equivalents At The End Of The Period	(1)	5.123.202	2.429.882

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

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

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

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

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

As in other countries where the COVID-19 epidemic, which spread globally in the first half of 2020, also in our country, various measures have been taken in social and economic terms in order to reduce this negativity, and measures continue to be implemented by partial changes.

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

While preparing the financial statements dated March 31, 2021, the Parent Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. The Bank has revised its macroeconomic expectations and has reflected to the financial statement as of 31 March 2021, by taking into account the change in probability of default and loss given default. The estimates and assumptions used in calculating expected credit losses are explained in section three footnote VIII.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

Explanation for convenience translation to English:

The differences between accounting principles, as described in these preceding paragraphs and accounting principles generally accepted in countries in which consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in these consolidated financial statements. Accordingly, these consolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

The Group'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 Group's resources consist of funds collected, loans received and equity. The Group uses this resource mainly as loans and lease certificates. The liquidity structure of the Group 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 Group'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 Group'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 Group 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 Group'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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

III. EXPLANATIONS ON CONSOLIDATED SUBSIDIARIES (Continued)

Consolidation principles applied (Continued):

1. Consolidation principles for subsidiaries (Continued):

Control is evident when the Parent Bank owns, either directly or indirectly, the majority of the share capital of the company or owns the privileged shares or owns the right of controlling the operations of the company in accordance with the agreements made with other shareholders or owns the right of appointment or the designation of the majority of the board of directors of the company.

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle.

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

31 December 2020				
Title	Address (City / Country)	Main Activities	Group’s Share Percentage (%)	Group’s Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Issuance of Lease Certificate	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Issuance of Lease Certificate	100	100

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

2. Consolidation principles of associates and joint ventures:

As of 31 March 2021, the Group has no subsidiaries and jointly controlled entities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

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

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The bank started to calculate rediscounts for non-performing loans as of January 1, 2018.

The Bank accounts for profit share expenses on an accrual basis. And the Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

From commission income and expenses, banking, agency and brokerage services income and expenses are recognized as income /expense when they are collected or paid in accordance with TFRS 15 Revenue from Customer Contracts standard. Whereas, commission income from individual, corporate and entrepreneurial cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle.

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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

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

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

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

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

c. Financial assets measured at amortized cost: (Continued)

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

Loans

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

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

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

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

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Explanations on Expected Loss Provisions (Continued)

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

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

Impairment

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

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

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

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

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

Provision for 12 month expected credit loss (Stage 1)

Financial assets are transferred to stage 2 if there is a significant increase in credit risk. While 1-year expected credit loss is calculated for at stage 1, all remaining maturity expected credit loss is calculated for loans at stage 2.

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

Significant increase in credit risk (Stage 2)

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Default (Stage 3)

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

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

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

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

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

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

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

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

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Future Expectations

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

The Group uses 3 scenarios for forward-looking expectations: base, bad and good. All 3 scenarios have predetermined weights. The Group applies macroeconomic variables to its models by updating them every 3 months in March, June, September and December, which is used in the evaluation of the significant increase in credit risk and in the calculation of expected credit loss. As of 31 March 2021, macroeconomic variables taken as basis in the calculation of expected credit loss were updated by using expert opinion to include the COVID-19 effect and reflected in the models.

The Methodology of Behavioral Maturity Calculation

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

Write-off Policy

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

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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of March 31, 2021, The Parent Bank does not have any marketable securities for lending (31 December 2020: None).

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

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

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

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

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

As of 31 March 2021, the Parent Bank’s held for sale tangible assets is TL 91.417 (31 December 2020: TL 75.240).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the Parent Bank has no goodwill within the financial statements.

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

Other intangible assets are amortized 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.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS (Continued)

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.

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

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

There is no tangible assets that are held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

Operational Leasing Transactions (Continued)

Right of use;

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

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

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

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

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

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

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

Lease Liabilities:

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

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

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

The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 March 2021, the Bank’s employee termination benefit is TL 21.056 (31 December 2020: TL 18.984).

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

a. Employment termination and vacation benefits (Continued)

Communiqué on “Turkish Accounting Standard (“TAS19”) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 7.068 was classified under shareholders’ equity in the financials. (31 December 2020: TL 7.068 missing).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 March 2021 unused vacation liability of the Bank is TL 10.000 (31 December 2020: TL 7.250).

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

b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

b. T.C. Ziraat Bankası and T. Halk Bankası Employee Pension Fund Foundations (TZHEMSAN) Liability (Continued)

Based on the Council of Ministers' decree numbered 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 March 2021 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank's financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current tax

Corporate Tax Law No. 5520, which was published in the Official Gazette dated 21 June 2006 and numbered 26205, effective from January 1, 2006, the corporate tax rate applied at the rate of 20% for corporate earnings, With the provision in Articles 11 and 14 of the "Law on the Procedure for the Collection of Public Receivables and the Law on Amendments to Certain Laws" published in the newspaper, starting from the declarations that must be submitted as of 1 July 2021 and the taxation period starting from 1 January 2021 It has been rearranged as 25% for the corporate earnings for the 2021 fiscal period and 23% for the 2022 fiscal period, to be valid for the corporate earnings.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

a. Current tax (Continued)

The rate to be applied in the first period advance tax return to be submitted for the 2021 fiscal period earnings is 20%, and it will be applied as 25% as of the second term advance tax return. The corporate tax rate is applied to the tax base to be found as a result of the addition of non-deductible expenses to the commercial earnings of the companies, the exemption (such as participation income exemption) and deductions in the tax laws. No further tax is paid if the profit is not distributed.

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

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

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

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

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

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

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

Tax returns are required to be filled and delivered to the related tax office until the end of the fourth month following the balance sheet date and the accrued tax is paid until the end of the same month.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION

a. Current tax (Continued)

Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax

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

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

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

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

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

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

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

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

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XX. EXPLANATIONS ON ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXII. 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 V of Section Five.

XXIII. EXPLANATION ON CASH AND CASH EQUIVALENTS

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

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

XXIV. EXPLANATION ON SEGMENT REPORTING

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

XXV. EXPLANATIONS ON OTHER MATTERS

None.

ZİRAAT KATILIM BANKASI A.Ş.

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SECTION FOUR

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

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

- In calculating the amount subject to credit risk; Simple arithmetic average of the Central Bank foreign exchange buying rates for the last 252 business days before the date of 31 March 2021 can be used to calculate the valued amounts in foreign currency.
- If the net valuation differences of the securities owned by the banks included in the "Securities with Fair Value Differences in Other Comprehensive Income" portfolio as of March 23, 2020 are negative, these differences may not be taken into account in the amount of equity.

As of 31 March 2021 current period capital amount of the Bank is TL 4.965.563 (31 December 2020: TL 4.704.364), and capital adequacy standard ratio is 13,87% (31 December 2020: 14,75%).

Information Related To The Components of Shareholders' Equity:

	Current Period 31.03.2021	Prior Period 31.12.2020
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	1.750.000
Share issue premiums	-	-
Reserves	1.739.171	1.098.041
Gains recognized in equity as per TAS	261.513	245.102
Profit	124.752	641.130
Current Period Profit	124.752	638.562
Prior Period Profit	-	2.568
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	3.875.436	3.734.273
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	-	-
Improvement costs for operating leasing	20.634	21.363
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	170.740	161.257
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

ZİRAAT KATILIM BANKASI A.Ş.

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31.03.2021	Prior Period 31.12.2020
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	191.374	182.620
Total Common Equity Tier 1 Capital	3.684.062	3.551.653
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA(**)	755.744	706.370
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	755.744	706.370
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	4.439.806	4.258.023
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA(***)	300.000	300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	227.993	149.669
Tier II Capital Before Deductions	527.993	449.669
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	527.993	449.669
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.967.799	4.707.692

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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 31.03.2021	Prior Period 31.12.2020
Total of Original Capital and Supplementary Capital (Total Capital)		
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	2.236	3.328
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)	4.965.563	4.704.364
Total risk weighted amounts	35.796.862	31.904.109
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	10,29	11,13
Tier 1 Capital Adequacy Ratio (%)	12,40	13,35
Capital Adequacy Ratio (%)	13,87	14,75
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 (%)	5,79	6,63
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	227.993	149.669
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	227.993	149.669
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to 0,6% of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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	-	-

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

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

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

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT 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)	TL 300 Million
Par value of instrument	TL 300 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	29 March 2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
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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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

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

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)	TL 756 Million
Par value of instrument	TL 968 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 incompliance with article number 7 and 8 of "Own fund regulation"	In Compliance with Article number 7

(*) Profit share for participation banks.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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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 31.03.2021	Prior Period 31.12.2020
Equity value of balance sheet	3.847.242	3.734.273
Cost of development of operating lease	(20.634)	(21.363)
Goodwill and other intangible assets and related deferred tax liability	(170.740)	(161.257)
Debt instruments and premiums approved by BRSA	300.000	300.000
Tier II Capital (Provisions)	227.993	149.669
Debt instruments and premiums approved by BRSA –subordinated loans	755.744	706.370
Other values deducted from equity	(2.236)	(3.328)
Other Arrangements	28.194	-
Amount taken into consideration in the calculation of legal equity	4.965.563	4.704.364

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

II. EXPLANATIONS ON 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 Group'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.

ZİRAAT KATILIM BANKASI A.Ş.

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

c) Foreign currency risk policy:

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

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
31.03.2021	8,2455	9,6830	6,2491	1,2965	0,9412	8,7440	6,4946	0,9610	11,3177	2,1821	7,3880
30.03.2021	8,2766	9,6964	6,2571	1,2985	0,9409	8,7565	6,4882	0,9630	11,2888	2,1903	7,4280
29.03.2021	8,1654	9,5947	6,1974	1,2850	0,9330	8,6775	6,4097	0,9492	11,1883	2,1607	7,3650
26.03.2021	8,0109	9,4347	6,0761	1,2636	0,9209	8,4988	6,3029	0,9272	10,9878	2,1199	7,2280
25.03.2021	7,9192	9,3338	5,9742	1,2502	0,9113	8,4302	6,2114	0,9112	10,8084	2,0956	7,1860
24.03.2021	7,8444	9,2707	5,9491	1,2416	0,9079	8,3640	6,1891	0,9098	10,7102	2,0758	7,1310

e) 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
7,6428	9,0752	5,8550	1,2154	0,8882	8,1881	6,0164	0,8916	10,5276	2,0223	6,9484

ZİRAAT KATILIM BANKASI A.Ş.

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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:

	EUR	USD	Other FC (***)	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	1.637.898	2.950.868	1.288.026	5.876.792
Banks	677.079	2.076.850	1.076.660	3.830.589
Financial assets at fair value through profit and loss (****)	-	-	983.021	983.021
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	48.828	1.324.437	-	1.373.265
Loans (*)	7.945.730	7.662.924	-	15.608.654
Partnership Investments	-	-	-	-
Financial assets measured at amortised cost	843.237	-	-	843.237
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets	-	-	83	83
Intangible assets	-	-	-	-
Other assets	20.583	5.762	4.444	30.789
Total assets	11.173.355	14.020.841	3.352.234	28.546.430
Liabilities				
Current account and funds collected from Banks via participation accounts	6.379	611	824	7.814
Current and participation accounts FC	8.378.580	12.547.060	3.245.086	24.170.726
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.162.179	76.641	-	1.238.820
Marketable securities issued	-	-	-	-
Miscellaneous debts	304.850	138.727	8.864	452.441
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	1.024.370	62.522	2.192	1.089.084
Total liabilities	10.876.358	12.825.561	3.256.966	26.958.885
Net balance sheet position	296.997	1.195.280	95.268	1.587.545
Net off-balance sheet position (**)	(235.781)	(1.248.055)	(658)	(1.484.494)
Financial derivative assets	10.167	249.034	-	259.201
Financial derivative liabilities	245.948	1.497.089	658	1.743.695
Net position	61.216	(52.775)	94.610	103.051
Non cash loans	5.939.177	5.170.308	116.074	11.225.559
Prior Period				
Total assets	10.223.142	12.567.310	3.308.730	26.099.182
Total liabilities	9.283.270	11.228.570	3.235.828	23.747.668
Net balance sheet position	939.872	1.338.740	72.902	2.351.514
Net off-balance sheet position	(1.089.668)	(1.414.557)	(227)	(2.504.452)
Financial derivative assets	-	1.068.995	59.008	1.128.003
Financial derivative liabilities	1.089.668	2.483.552	59.235	3.632.455
Net Position	(149.796)	(75.817)	72.675	(152.938)
Non-cash loans	5.489.608	3.480.241	106.639	9.076.488

- (*) The financial leases, expected credit losses, foreign currency indexed loan with an amounts of TL 101.748 equivalent balance to USD and TL 179.273 equivalent balance to EUR are included in the loans balance.
- (**) Shows net receivables and debts from derivative financial instruments.
- (***) The currencies in the other FC column of the assets section consist of 90% Gold, 4% GBP, and the remaining 6% other currencies. The currencies in the FC column of liabilities section consist of %95 Gold, 3% GBP, and the remaining 2% other currencies.
- (****) Provisions, lease liabilities and subordinated loans are included.
- (*****) It consists of a gold-based lease certificate in the amount of TL 983.021 issued by the Treasury.

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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 TL 10.412 all of which are 100% risk weighted (31 December 2020: TL : 10.412).

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

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.

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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)

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

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 Turkey's Treasury along with cash assets and care of Central Bank of the Republic of Turkey's accounts.

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

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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)**

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

The lowest and highest Liquidity Coverage Ratios in the first quarter of 2021 are listed in the table below.

Current Period	Highest	Date	Lowest	Date
TL+FC	216,78	21.01.2021	129,61	21.03.2021
FC	441,74	26.03.2021	263,79	28.02.2021

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

Current Period 31.03.2021	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	9.978.718	7.216.752	9.978.718	7.216.752
High quality liquid assets	-	-	9.978.718	7.216.752
CASH OUTFLOWS	57.056.146	31.527.155	15.531.150	7.878.712
Real person deposits and retail deposits	17.906.870	11.568.465	1.843.428	1.247.278
Stable deposit	2.462.430	-	123.122	-
Deposit with low stability	15.444.440	11.568.465	1.720.306	1.247.278
Unsecured debts except real person deposits and retail deposits	19.442.064	7.850.398	10.108.554	3.478.554
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	19.442.064	7.850.398	10.108.554	3.478.554
Secured debts	-	-	-	-
Other cash outflows	19.707.212	12.108.292	3.579.168	3.152.880
Derivative liabilities and margin obligations	3.248.661	2.618.509	2.663.962	2.618.509
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	233.732	345.869	103.965	77.175
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	16.224.819	9.143.914	811.241	457.196
TOTAL CASH OUTFLOW	-	-	15.531.150	7.878.712
CASH INFLOWS	10.416.796	6.240.716	9.115.737	5.923.562
Secured receivables	-	-	-	-
Unsecured claims	7.676.285	5.681.276	6.375.226	5.364.122
Other cash inflows	2.740.511	559.440	2.740.511	559.440
TOTAL CASH INFLOWS	10.416.796	6.240.716	9.115.737	5.923.562
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	9.978.718	7.216.752
TOTAL NET CASH OUTFLOWS	-	-	6.415.412	1.969.678
LIQUIDITY COVERAGE RATIO (%)	-	-	156	366

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

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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)**

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

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

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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)

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 31.03.2021								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ^(*)	1.547.249	5.619.342	-	-	-	-	-	7.166.591
Banks ^(*)	3.468.397	371.129	-	-	-	-	-	3.839.526
Financial Assets at Fair Value Through Profit and Loss	-	305.059	-	586.758	91.204	-	-	983.021
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	27.051	167.773	2.160.030	2.830.747	-	10.412	5.196.013
Loans Given	-	1.416.111	2.795.913	9.404.122	22.671.423	7.851.835	346.026	44.485.430
Financial Assets Measured at Amortised Cost	-	-	-	-	843.237	-	-	843.237
Other Assets	-	-	-	-	-	-	824.480	824.480
Total Assets	5.015.646	7.738.692	2.963.686	12.150.910	26.436.611	7.851.835	1.180.918	63.338.298
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.530.363	51.545	-	-	-	-	-	4.581.908
Current and Participation Accounts	6.973.034	22.897.377	6.550.243	7.171.965	54.697	-	-	43.647.316
Funds Provided from Other Financial Instruments	-	280.480	39.624	718.556	377.273	219.413	-	1.635.346
Money Market Borrowings	-	3.403.126	-	-	-	-	-	3.403.126
Issued Marketable Securities ^(***)	-	716.451	1.832.070	767.627	1.132.206	-	-	4.448.354
Miscellaneous Debts	-	-	-	-	-	-	609.215	609.215
Other Liabilities	-	-	-	-	-	-	5.013.033	5.013.033
Total Liabilities	11.503.397	27.348.979	8.421.937	8.658.148	1.564.176	219.413	5.622.248	63.338.298
Liquidity Gap	(6.487.751)	(19.610.287)	(5.458.251)	3.492.762	24.872.435	7.632.422	(4.441.330)	-
Net Off-Balance Sheet Position	-	22.963	402	(902)	-	-	-	22.463
Receivables From Derivative Financial Instruments	-	1.761.346	8.944	5.153	-	-	-	1.775.443
Financial Derivative Liabilities	-	1.738.383	8.542	6.055	-	-	-	1.752.980
Non-Cash Loans	2.855.554	883.670	1.574.032	7.186.061	5.567.281	296.401	-	18.362.999

(*) Includes expected loss provision.

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

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

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

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
Prior Period 31.12.2020								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	640.288	4.833.974	-	-	-	-	-	5.474.262
Banks(*)	4.043.012	756.674	-	-	-	-	-	4.799.686
Financial Assets at Fair Value Through Profit and Loss	-	3.006	90.527	527.039	360.300	-	-	980.872
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	28.342	649.154	911.323	3.546.501	-	10.412	5.145.732
Loans Given	-	1.292.151	2.642.589	7.672.789	22.264.432	7.942.234	392.215	42.206.410
Financial Assets Measured at Amortised Cost	-	-	-	-	779.437	-	-	779.437
Other Assets	-	-	-	-	-	-	800.497	800.497
Total Assets	4.683.300	6.914.147	3.382.270	9.111.151	26.950.670	7.942.234	1.203.124	60.186.896
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.554.961	-	6.934	-	-	-	-	4.561.895
Current and Participation Accounts	7.445.184	25.764.602	6.452.479	2.113.970	47.920	-	-	41.824.155
Funds Provided from Other Financial Instruments	-	147.376	195.418	512.433	533.382	38.005	-	1.426.614
Money Market Borrowings	-	2.101.073	-	-	-	-	-	2.101.073
Issued Marketable Securities(***)	-	864.472	2.552.733	600.045	1.080.526	-	-	5.097.776
Miscellaneous Debts	-	-	-	-	-	-	322.946	322.946
Other Liabilities	-	-	-	-	-	-	4.852.437	4.852.437
Total Liabilities	12.000.145	28.877.523	9.207.564	3.226.448	1.661.828	38.005	5.175.383	60.186.896
Liquidity Gap	(7.316.845)	(21.963.376)	(5.825.294)	5.884.703	25.288.842	7.904.229	(3.972.259)	-
Net Off-Balance Sheet Position	-	28.293	(14.906)	838	-	-	-	14.225
Receivables From Derivative Financial Instruments	-	3.090.778	548.603	8.631	-	-	-	3.648.012
Financial Derivative Liabilities	-	3.062.485	563.509	7.793	-	-	-	3.633.787
Non-Cash Loans	2.405.872	691.439	1.632.493	6.099.552	4.733.595	352.819	-	15.915.770

(*) Does not include expected loss provisions.

(**) 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.

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

V. EXPLANATIONS ON CONSOLIDATED LEVERAGE RATIO

As of 31 March 2021, the leverage ratio of the Group calculated from the average of three months is 5,47%. (31 December 2020: 5,65%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks. The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital. The regulation stipulated the minimum leverage ratio as 3%.

Leverage ratio disclosure as follows:

	Current Period ^(*) 31.03.2021	Prior Period ^(*) 31.12.2020
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	61.887.324	58.662.572
(Assets deducted from main capital)	(196.743)	(176.435)
Total risk amount of the balance sheet assets	61.690.581	58.486.137
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	32.310	22.027
Potential credit risk amount of derivative financial instruments and credit derivatives	25.413	21.256
Total risk amount of derivative financial instruments and credit derivative	57.723	43.283
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	196.138	145.965
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	196.138	145.965
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	17.920.712	16.834.815
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	17.920.712	16.834.815
Equity and total risk		
Main capital	4.369.104	4.267.519
Total risk amount	79.865.154	75.501.505
Leverage ratio		
Leverage ratio %	5,47	5,65

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

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

VI. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

VII. EXPLANATIONS ON RISK MANAGEMENT

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

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

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

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

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

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

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

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE GROUP (Continued)**VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)****1. Explanations on Risk Management and Risk-weighted Assets:****a) Overview of Risk-weighted Asset**

		Risk Weighted Amount		Minimum capital requirement
		Current Period 31.03.2021	Prior Period 31.12.2020	Current Period 31.03.2021
1	Credit risk (excluding counterparty credit risk) (CCR)	32.468.953	29.650.611	2.597.516
2	Standardized approach (SA)	32.468.953	29.650.611	2.597.516
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	119.034	131.015	9.523
5	Standardized approach for counterparty credit risk (SA-CCR)	119.034	131.015	9.523
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 approach (SFA)	-	-	-
15	SA/simplified supervisory formula approach (SSFA)	-	-	-
16	Market risk	220.049	290.659	17.604
17	Standardized approach (SA)	220.049	290.659	17.604
18	Internal model approaches (IMM)	-	-	-
19	Operational risk (*)	2.988.826	1.831.724	239.106
20	Basic Indicator approach	2.988.826	1.831.724	239.106
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	35.796.862	31.904.009	2.863.749

2. Explanations on Credit Risk**Aging analysis for overdue receivables**

Current Period 31.03.2021	Up to 1 Month	1-2 Months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Enterprenuerial Loans	148.791	273.473	246.791	669.055
Personal Loans	33.765	5.491	8.834	48.090
Toplam	182.556	278.964	255.625	717.145

⁽¹⁾ The amounts in the table are the installment amounts due for installment loans and the principal amounts due for other loans, and the total remaining principal amounts of the installment loans are TL 647.628.

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

1. Explanations on Credit Risk (Continued)

Aging analysis for overdue receivables (Continued)

Previous Period 31.12.2020	Up to 1 Month	1-2 Months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Enterprenuerial Loans	121.578	38.696	644.845	805.119
Personal Loans	32.330	7.234	5.108	44.672
Toplam	153.908	45.930	649.953	849.791

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

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 FX and TL liquidity risk is limited by the transactions performed.

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

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 31 March 2016, it is given annually and quarterly. The following required tables are not presented as of 31 March 2021 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

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

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

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

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

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

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

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

Table for Segment Reporting:

Current Period 1 January - 31 March 2021	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	126.082	838.827	197.807	117.236	1.279.952
Profit Shares from Loans	126.082	838.827	-	-	964.909
Profit Shares from Banks	-	-	505	-	505
Profit Shares from Securities	-	-	170.102	-	170.102
Other Profit Shares	-	-	27.200	117.236	144.436
Profit Shares Expense	(221.433)	(506.624)	(303.086)	(6.838)	(1.037.981)
Profit Shares Expense on Participation Funds	(221.433)	(506.624)	(2.154)	-	(730.211)
Profit Shares Expense on Funds Borrowed	-	-	(46.379)	-	(46.379)
Profit Shares Expense on Money Market Transactions	-	-	(104.346)	-	(104.346)
Profit Shares Expense on Securities Issued	-	-	(150.207)	-	(150.207)
Other Profit Shares Expense	-	-	-	(6.838)	(6.838)
Net Profit Shares Income/Expense	(95.351)	332.203	(105.279)	110.398	241.971
Net Fees and Commission Income/Expense	6.057	36.119	-	(11.310)	30.866
Fees and Commissions Received	6.057	36.119	-	3.562	45.738
Fees and Commissions Paid	-	-	-	(14.872)	(14.872)
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	89.255	-	89.255
Other Operating Income	-	183	-	226.807	226.990
Provision for Loans or Other Receivables Losses	(26.096)	(214.204)	-	(32.500)	(272.800)
Other Provision Expense	-	-	-	(21.494)	(21.494)
Personnel Expenses	-	-	-	(72.566)	(72.566)
Other Operating Expense	-	(2.158)	-	(67.297)	(69.455)
Net Operating Profit/Loss	(115.390)	152.143	(16.024)	132.038	152.767
Tax Provision	-	-	-	(28.015)	(28.015)
Net Profit/Loss	(115.390)	152.143	(16.024)	104.023	124.752
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	983.021	-	983.021
Banks ^(*)	-	-	3.839.526	-	3.839.526
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	5.196.013	-	5.196.013
Loans ^(*) ^(**)	4.774.510	39.191.455	519.465	-	44.485.430
Financial Assets Measured at Amortised Cost	-	-	843.237	-	843.237
Derivative Financial Assets	-	-	21.280	-	21.280
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets ^(*)	-	-	-	7.969.791	7.969.791
Total Segment Assets	4.774.510	39.191.455	11.402.542	7.969.791	63.338.298
SEGMENT LIABILITIES					
Funds Collected	18.125.164	30.104.060	-	-	48.229.224
Derivative Financial Liabilities	-	-	1.905	-	1.905
Funds Borrowed	-	-	1.635.346	-	1.635.346
Money Market Funds	-	-	3.403.126	-	3.403.126
Securities Issued (Net)	-	-	3.316.148	-	3.316.148
Provisions	-	-	-	470.949	470.949
Other Liabilities	-	-	-	2.434.358	2.434.358
Shareholders' Equity	-	-	-	3.847.242	3.847.242
Total Segment Liabilities	18.125.164	30.104.060	8.356.525	6.752.549	63.338.298

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

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

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period 1 January - 31 March 2020	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	70.983	642.938	90.199	97.776	901.896
Profit Shares from Loans	70.983	642.938	-	-	713.921
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	86.199	-	86.199
Other Profit Shares	-	-	4.000	97.776	101.776
Profit Shares Expense	(165.432)	(123.340)	(129.577)	(5.746)	(424.095)
Profit Shares Expense on Participation Funds	(165.432)	(123.340)	-	-	(288.772)
Profit Shares Expense on Funds Borrowed	-	-	(60.346)	-	(60.346)
Profit Shares Expense on Money Market Transactions	-	-	(1.467)	-	(1.467)
Profit Shares Expense on Securities Issued	-	-	(67.764)	-	(67.764)
Other Profit Shares Expense	-	-	-	(5.746)	(5.746)
Net Profit Shares Income/Expense	(94.449)	519.598	(39.378)	92.030	477.801
Net Fees and Commission Income/Expense	5.777	27.357	-	(16.198)	16.936
Fees and Commissions Received	5.777	27.357	-	3.098	36.232
Fees and Commissions Paid	-	-	-	(19.296)	(19.296)
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	29.226	-	29.226
Other Operating Income	-	79	-	71.445	71.524
	(21.607)	(230.974)	-	(59.167)	(311.748)
Provision for Loans or Other Receivables Losses	-	-	-	-	-
Other Provision Expense	-	-	-	(16.016)	(16.016)
Personnel Expenses	-	-	-	(53.976)	(53.976)
Other Operating Expense	-	-	-	(67.708)	(67.708)
Net Operating Profit/Loss	(110.279)	316.060	(10.152)	(49.590)	146.039
Tax Provision	-	-	-	(32.472)	(32.472)
Net Profit/Loss	(110.279)	316.060	(10.152)	(82.062)	113.567
SEGMENT ASSETS					
Financial Assets at FV Through P/L ^(*)	-	-	980.872	-	980.872
Banks	-	-	4.799.686	-	4.799.686
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	5.145.732	-	5.145.732
Loans ^(**)	4.850.077	36.350.940	1.005.393	-	42.206.410
Financial Assets Measured at Amortised Cost	-	-	779.437	-	779.437
Derivative Financial Assets	-	-	28.253	-	28.253
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets ^(*)	-	-	-	6.246.506	6.246.506
Total Segment Assets	4.850.077	36.350.940	12.739.373	6.246.506	60.186.896
SEGMENT LIABILITIES					
Funds Collected	18.467.116	27.918.934	-	-	46.386.050
Derivative Financial Liabilities	-	-	19.440	-	19.440
Funds Borrowed	-	-	1.426.614	-	1.426.614
Money Market Funds	-	-	2.101.073	-	2.101.073
Securities Issued (Net)	-	-	4.017.250	-	4.017.250
Provisions	-	-	-	409.244	409.244
Other Liabilities	-	-	-	2.092.952	2.092.952
Shareholders' Equity	-	-	-	3.734.273	3.734.273
Total Segment Liabilities	18.467.116	27.918.934	7.564.377	6.236.469	60.186.896

(*) Includes expected loss provisions.

(**) Includes receivables from leasing transactions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	38.164	226.534	34.139	185.722
Central Bank of the Republic of Turkey (*)	1.253.968	5.592.151	375.440	4.821.782
Other	-	58.107	-	60.037
Total	1.292.132	5.876.792	409.579	5.067.541

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

1.a.1) Information on Required Reserves:

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

As of 31 March 2021, the valid rates for required reserves at the CBRT are between 3% and 8% for Turkish currency deposits and other liabilities (31 December 2020: 1%-6%) for Foreign currency deposits and for foreign currency other liabilities is between 5% and 22% (31 December 2020:5%-22%)

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

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1.226.768	9	363.240	8
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (*)	27.200	5.592.142	12.200	4.821.774
Total	1.253.968	5.592.151	375.440	4.821.782

(*) TL 933.700 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2020: TL 904.016).

2. Information on banks and other financial institutions:

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Banks				
Domestic Banks	9.055	2.610.256	12.394	3.688.774
Foreign Banks	-	1.220.333	-	1.098.600
Foreign Head Office and Branches	-	-	-	-
Total	9.055	3.830.589	12.394	4.787.374

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Explanations on financial assets at fair value through profit or loss

	Current Period 31.03.2021	Prior Period 31.12.2020
Financial Assets at Fair Value Through Profit / Loss	828.992	808.723
Other Dividends and Income Rediscounts	167.966	187.229
Provision for Impairment (-)	(13.937)	(15.080)
Total	983.021	980.872

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Assets Subject to Repurchase Agreements	2.486.583	2.145.367
Assets Blocked/Given as Collateral	278.721	147.536
Total (*)	2.765.304	2.292.903

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

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Debt Securities	5.305.313	5.282.808
Quoted in Stock Exchange	5.305.313	5.282.808
Not Quoted in Stock Exchange	-	-
Share Certificates	10.412	10.412
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	10.412	10.412
Provision for Impairment (-)**	119.712	147.488
Total	5.196.013	5.145.732

(*) The aforementioned amounts consist of TL 2.753, TL 7.659 Credit Guarantee Fund paid by the Bank to JCR Avrasya Rating A.Ş. for a share of 2.86% and are shown in the line that is not traded in the stock exchange (31 December 2020: TL 7.659 Credit Guarantee Fund, TL 2.753 JCR Avrasya Rating A.Ş.).

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

5. Information on derivative financial assets

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

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Forward Transactions	1.327	4.459	889	-
Swap Transactions	14.465	-	27.215	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	1.028	1	140	9
Total	16.820	4.460	28.244	9

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans:****a) Information on all types of loans and advances given to shareholders and employees of the Bank:**

	Current Period 31.03.2021		Prior Period 31.12.2020	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	641	-	540	-
Corporate Shareholders	641	-	540	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	7.607	-	5.804	-
Total (*)	8.248	-	6.344	-

(*) Includes rediscount amounts.

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

Current Period 31.03.2021	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
			Loans with revised contract terms	Refinancing
Loans	36.216.510	583.803	-	738.653
Export Loans	3.000.900	4.245	-	-
Import Loans	81.703	-	-	-
Commercial Loans	25.577.891	563.604	-	738.653
Consumer Loans	4.698.641	8.990	-	-
Credit Cards	8.336	12	-	-
Loans Given to Financial Sector	519.465	-	-	-
Other	2.329.574	6.952	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	672.156	30.087	-	18.051
Total	36.888.666	613.890	-	756.704

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans(Continued)

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

(*) Related amounts do not include finance lease receivables

(**) As of 31 March 2021, TL 33.784 (31 December 2020: TL 33.033) of the relevant balance consists of funds made available through the müşareke partnership financing method. By means of this financing method, the Bank has signed a shareholding agreement in 2019 for two companies in different sectors, and has provided fixed negotiation müşareke financing for one company in 2019 as a founding partner.

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

As of 31 March 2021 the Bank has accounted these fixed müşareke financing loans, which it carries in the statement of financial position, at historical cost in accordance with the Article 2/3/1 of Interest-Free Finance Accounting Standard 4: Müşar Financing "FFMS 4".

	Current Period 31.03.2021		Prior Period 31.12.2020	
Expected Credit Loss of Stage 1 and Stage 2	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
12 Month Expected Credit Losses	148.718	-	128.318	-
Significant Increase in Credit Risk	-	210.663	-	236.065

	Current Period 31.03.2021		Prior Period 31.12.2020	
No. of extensions	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
1 or 2 Times Extended	211.786	738.653	193.975	668.893
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
Total	211.786	738.653	193.975	668.893

	Current Period 31.03.2021		Prior Period 31.12.2020	
Extension Periods	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under Close Monitoring and Other Receivables
0 - 6 Months	-	61.561	-	24.485
6 Months – 12 Months	1.306	2.292	109.355	241.825
1 - 2 Years	101.948	144.458	33.198	153.176
2 - 5 Years	26.008	306.673	1.229	2.369
5 Years and Over	82.524	223.669	50.193	247.038
Total	211.786	738.653	193.975	668.893

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**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 31.03.2021	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	12.768	4.688.236	4.701.004
Housing Loans	6.628	4.375.000	4.381.628
Vehicle Loans	1.275	162.171	163.446
Consumer Loans	4.865	149.816	154.681
Other	-	1.249	1.249
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	7.384	5	7.389
With Installment	1.853	3	1.856
Without Installment	5.531	2	5.533
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	188	6.439	6.627
Housing Loans	-	732	732
Vehicle Loans	-	167	167
Consumer Loans	188	5.540	5.728
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-TL	952	7	959
With Installment	156	5	161
Without Installment	796	2	798
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	21.292	4.694.687	4.715.979

(*) Profit share rediscount amounting to TL 59.780 is not included in the table.

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans(Continued)**

Prior Period 31.12.2020	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	32.041	4.780.664	4.812.705
Housing Loans	2.229	4.474.142	4.476.371
Vehicle Loans	1.093	171.567	172.660
Consumer Loans	28.719	134.955	163.674
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	3.934	4	3.938
With Installment	1.180	4	1.184
Without Installment	2.754	-	2.754
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	61	5.073	5.134
Housing Loans	-	-	-
Vehicle Loans	-	89	89
Consumer Loans	61	4.984	5.045
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-TL	655	8	663
With Installment	112	7	119
Without Installment	543	1	544
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	36.691	4.785.749	4.822.440

(*) Dividend rediscount amounting to TL 47.414 is not included in the table.

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

Current Period 31.03.2021	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	102.299	604.508	706.807
Business Loans	-	42.215	42.215
Vehicle Loans	102.299	562.293	664.592
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	2.806	2.806
Business Loans	-	-	-
Vehicle Loans	-	2.806	2.806
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	22.228	22.228
Business Loans	-	-	-
Vehicle Loans	-	22.228	22.228
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	102.299	629.542	731.841

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans(Continued)

Prior Period 31.12.2020	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	120.795	531.124	651.919
Business Loans	-	41.214	41.214
Vehicle Loans	107.336	489.910	597.246
Consumer Loans	13.459	-	13.459
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	2.943	2.943
Business Loans	-	-	-
Vehicle Loans	-	2.943	2.943
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	23.550	23.550
Business Loans	-	-	-
Vehicle Loans	-	23.550	23.550
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	120.795	557.617	678.412

e) Breakdown of domestic and international loans:

	Current Period 31.03.2021	Prior Period 31.12.2020
Domestic Loans	37.396.470	36.256.108
Foreign Loans	142.496	113.156
Profit Share Income Accruals of Loans	720.294	673.095
Total	38.259.260	37.042.359

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

f) Loans granted to subsidiaries and participations:

As of 31 March 2021, the Bank has no loans granted to subsidiaries and participations (31 December 2020: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans(Continued)

g) Provision for default (Stage 3 / Specific Provision):

	Current Period 31.03.2021	Prior Period 31.12.2020
Loans and receivables with limited collectability	18.511	83.330
Loans and receivables with doubtful collectability	159.785	89.754
Uncollectible loans and receivables	691.513	615.759
Total	869.809	788.843

h) Information on lease receivables

h.1) Analysis of investments made in financial leasing by remaining maturity

	Current Period 31.03.2021		Prior Period 31.12.2020	
	Gross	Net	Gross	Net
Less than 1 year	248.154	223.400	229.444	218.891
1-5 year	5.158.730	4.614.262	4.431.155	3.904.522
More than 5 years	1.660.317	1.401.863	1.262.735	1.012.806
Total	7.067.201	6.239.525	5.923.334	5.136.219

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Gross Lease Receivable	7.067.201	5.923.334
Financial Income Unearned From Financial Leasing (-)	(827.676)	(787.115)
Canceled Rental Amounts	-	-
Total	6.239.525	5.136.219

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

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

As of 31 March 2021 the Group has loans and other receivables included in non-performing receivables which are restructured or rescheduled amount TL 14.628 (31 December 2020: TL 13.039)

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans(Continued)****i.2) Information on the movement of total non-performing loans:**

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Ending balance of prior period	203.447	172.400	805.211
Additions in the current period (+)	12.407	51.654	15.436
Transfers from other categories of non-performing loans (+)	-	160.963	69.407
Transfers to other categories of non-performing loans (-)	160.963	69.407	-
Collections in the current period (-)	2.032	6.113	36.575
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	52.859	309.497	853.479
Expected Credit Losses (Stage 3) (-)	18.511	159.785	691.513
Net balance at the balance sheet	34.348	149.712	161.966

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

	Group III: Allocated for Loans with Limited Collection	Group IV: Allocated for Doubtful Loans	Group V: Allocated for Loss Loans
Current Period 31.03.2021			
Ending Balance	-	1.385	290.896
Provision for Expected Loss (Stage 3) (-)	-	653	222.962
Net Balance in the Balance Sheet	-	732	67.934

	Group III: Allocated for Loans with Limited Collection	Group IV: Allocated for Doubtful Loans	Group V: Allocated for Loss Loans
Prior Period 31.12.2020			
Ending Balance	14.935	57.475	221.893
Provision for Expected Loss (Stage 3) (-)	4.056	32.515	167.226
Net Balance in the Balance Sheet	10.879	24.960	54.667

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31 MARCH 2021**

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

**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS (Continued)****6. Information related to loans(Continued)****j) Gross and net amounts of non-performing receivables according to user groups:**

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	34.348	149.712	161.966
Loans to Real Persons and Legal Entities (Gross)	52.859	309.497	853.479
Specific Provisions (-)	18.511	159.785	691.513
Loans to Real Persons and Legal Entities (Net)	34.348	149.712	161.966
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	120.117	82.646	189.452
Loans to Real Persons and Legal Entities (Gross)	203.447	172.400	805.211
Specific Provisions (-)	83.330	89.754	615.759
Loans to Real Persons and Legal Entities (Net)	120.117	82.646	189.452
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

	Group III:	Group IV:	Group V:
Current Period End Balance 31.03.2021	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Profit Share Accrual and Valuation Differences Provision	1.363	69.892	96.226
Provision Amount (-)	506	35.713	79.755

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans(Continued)

j) Gross and net amounts of non-performing receivables according to user groups (Continued)

	Group III:	Group IV:	Group V:
Prior Period End Balance 31.12.2020	Loans with limited collectability	Loans with doubtful collectability	Uncollectible loans
Profit Share Accrual and Valuation Differences Provision	9.402	17.192	74.182
Provision Amount (-)	3.994	8.714	60.296

k) Information on liquidating policy of uncollectible loans and other receivables:

Execution proceedings are carried out for the collection of receivables from loan services of 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.

l) Explanations on write-off policy:

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

7. Financial assets at amortized cost:

a) Information on government debt securities measured at amortized cost:

	Current Period 31.03.2021	Prior Period 31.12.2020
Debt Securities (*)	843.237	779.437
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	843.237	779.437

b) Information on financial assets valued at amortized cost

None (31 December 2020: None).

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

As of 31 March 2021, government debt securities measured at amortized cost of the Group is TL 843.237 (31 December 2020: TL 779.437).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Financial assets at amortized cost (Continued)

c) Information on government debt securities measured at amortized cost (Continued)

	Current Period 31.03.2021	Prior Period 31.12.2020
Balances at Beginning of Period	779.437	547.750
Foreign Currency Differences on Monetary Assets	54.481	191.227
Purchases during the Period (*)	9.319	40.460
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	843.237	779.437

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

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

As of 31 March 2021, the amount of assets due to trading is TL 91.417 (31 December 2020: TL 75.240).

	Current Period 31.03.2021	Prior Period 31.12.2020
Beginning Balance (Net)	75.240	104.069
Changes During the Period (Net)	16.177	(28.829)
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	91.417	75.240

(*) The bank has a right of fidelity of over TL 61.948 (31 December 2020: 57.817) of assets held for sale.

As of 31 March 2021, the Group has no discontinued operations (31 December 2020: None).

9. Equity Investments

a) Information about investments in associates (Net):

None (31 December 2020: None).

b) Information on subsidiaries (net)

b.1) Information on consolidated subsidiaries

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

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior period income/loss(**)	Fair Value	Needed shareholder s Equity
1(*)	3.316.324	129	-	150.263	-	(38)	(5)	-	-
2(*)	91	88	-	49	-	4	31	-	-

(*) 31 March 2021 reviewed financial statements are used.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Equity Investments (Continued)

b.1) Information on consolidated subsidiaries (Continued)

	Current Period 31.03.2021	Prior Period 31.12.2020
Balance at the beginning of the year	100	100
Movements during the year	-	-
Included in the scope of consolidation	-	-
Purchases	-	-
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

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

None (31 December 2020: None).

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

None (31 December 2020: None).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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	-	145.703	89.051	20.924	52.052	-	307.730
Accumulated Depreciation (-)	-	44.250	47.532	7.293	30.691	-	129.766
Net Book Value	-	101.453	41.519	13.631	21.361	-	177.964
Current Period End:							
Net Book Value at the Beginning of the Period	-	101.453	41.519	13.631	21.361	-	177.964
Change During the Period (Net)	-	2.584	(813)	2.274	(728)	-	3.317
Cost	-	3.463	2.081	1.265	1.293	-	8.102
Amortization (Net) (-)	-	879	2.894	(1.009)	2.021	-	4.785
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	149.166	91.132	22.189	53.345	-	315.832
Accumulated Depreciation at Period End (-)	-	45.129	50.426	6.284	32.712	-	134.551
Provisions for losses	-	-	-	-	-	-	-
Closing Net Book Value	-	104.037	40.706	15.905	20.633	-	181.281

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

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

11. Information on intangible assets:

	Current Period 31.03.2021			Prior Period 31.12.2020		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	212.288	41.548	170.740	198.433	37.176	161.257
Total	212.288	41.548	170.740	198.433	37.176	161.257

- 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

11. Information on intangible assets: (Continued)

- h) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- i) Information on goodwill: None.

12. Information on the investment properties:

As of 31 March 2021, the Bank has no investment properties (31 December 2020: None).

13. Information on deferred tax asset:

As at 31 March 2021, deferred tax liabilities of TL 117.053 (31 December 2020: TL 68.859) and deferred tax assets of TL 189.838 (31 December 2020: TL 177.456) have been offset and TL 72.684 deferred tax asset (31 December 2020: TL 108.597 deferred tax asset) is reflected in the financial statements.

14. Information on other assets:

As of 31 March 2021, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments..

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

1. a) Information on funds collected:

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

Current Period 31.03.2021	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non-trade TL	693.677	-	-	-	-	-	-	-	693.677
II. Real persons participation accounts non-trade TL	-	761.754	4.313.334	45.071	-	57.981	272.903	-	5.451.043
III. Other current accounts-TL	5.813.509	-	-	-	-	-	-	-	5.813.509
Public sector	192.205	-	-	-	-	-	-	-	192.205
Commercial sector	1.041.090	-	-	-	-	-	-	-	1.041.090
Other institutions	56.277	-	-	-	-	-	-	-	56.277
Commercial and other institutions	1.388	-	-	-	-	-	-	-	1.388
Banks and participation banks	4.522.549	-	-	-	-	-	-	-	4.522.549
Central Bank of Republic of Turkey	23	-	-	-	-	-	-	-	23
Domestic banks	1.139	-	-	-	-	-	-	-	1.139
Foreign banks	4.521.379	-	-	-	-	-	-	-	4.521.379
Participation banks	8	-	-	-	-	-	-	-	8
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	1.597.894	9.366.551	426.821	-	311.449	389.739	-	12.092.454
Public sector	-	562.862	655.809	243.663	-	132.815	-	-	1.595.149
Commercial sector	-	1.009.624	7.385.069	106.075	-	178.610	389.008	-	9.068.386
Other institutions	-	25.408	1.274.128	77.083	-	24	731	-	1.377.374
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	51.545	-	-	-	-	-	51.545
V. Real persons current accounts non-trade FC	1.386.747	-	-	-	-	-	-	-	1.386.747
VI. Real persons participation accounts-FC	-	757.295	5.800.031	92.171	-	157.732	1.447.288	-	8.254.517
VII. Other current accounts-FC	2.346.993	-	-	-	-	-	-	-	2.346.993
Commercial residents in Turkey	2.255.900	-	-	-	-	-	-	-	2.255.900
Commercial residents in Abroad	83.279	-	-	-	-	-	-	-	83.279
Banks and participation banks	7.814	-	-	-	-	-	-	-	7.814
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	7.814	-	-	-	-	-	-	-	7.814
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	291.753	3.258.307	367.625	-	192.088	4.993.300	-	9.103.073
Public sector	-	559	335	-	-	-	-	-	894
Commercial sector	-	290.454	3.237.060	367.495	-	192.088	4.993.300	-	9.080.397
Other institutions	-	740	10.190	130	-	-	-	-	11.060
Commercial and other institutions	-	-	10.722	-	-	-	-	-	10.722
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.262.471	-	1.598.158	170.156	-	21.324	35.102	-	3.087.211
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	11.503.397	3.408.696	24.336.381	1.101.844	-	740.574	7.138.332	-	48.229.224

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Prior Period 31.12.2020	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non-trade TL	547.690	-	-	-	-	-	-	-	547.690
II. Real persons participation accounts non-trade TL	-	460.869	4.921.147	47.420	-	57.942	306.722	-	5.794.100
III. Other current accounts-TL	5.992.402	-	-	-	-	-	-	-	5.992.402
Public sector	173.231	-	-	-	-	-	-	-	173.231
Commercial sector	1.219.708	-	-	-	-	-	-	-	1.219.708
Other institutions	47.949	-	-	-	-	-	-	-	47.949
Commercial and other institutions	633	-	-	-	-	-	-	-	633
Banks and participation banks	4.550.881	-	-	-	-	-	-	-	4.550.881
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	6	-	-	-	-	-	-	-	6
Foreign banks	4.550.867	-	-	-	-	-	-	-	4.550.867
Participation banks	8	-	-	-	-	-	-	-	8
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	1.700.665	10.174.612	94.150	-	220.688	378.157	-	12.568.272
Public sector	-	620.289	899.416	41.069	-	106.655	-	-	1.667.429
Commercial sector	-	1.053.627	8.465.785	49.958	-	114.030	378.068	-	10.061.468
Other institutions	-	26.749	795.695	3.123	-	3	89	-	825.659
Commercial and other institutions	-	-	6.782	-	-	-	-	-	6.782
Banks and participation banks	-	-	6.934	-	-	-	-	-	6.934
V. Real persons current accounts non-trade FC	1.495.884	-	-	-	-	-	-	-	1.495.884
VI. Real persons participation accounts-FC	-	493.578	5.322.190	73.336	-	143.786	1.285.468	-	7.318.358
VII. Other current accounts-FC	2.638.698	-	-	-	-	-	-	-	2.638.698
Commercial residents in Turkey	2.571.320	-	-	-	-	-	-	-	2.571.320
Commercial residents in Abroad	63.298	-	-	-	-	-	-	-	63.298
Banks and participation banks	4.080	-	-	-	-	-	-	-	4.080
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	4.080	-	-	-	-	-	-	-	4.080
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	309.325	5.963.344	35.670	-	47.954	592.942	-	6.949.235
Public sector	-	-	2.009	-	-	-	-	-	2.009
Commercial sector	-	309.230	5.941.971	35.551	-	47.954	592.942	-	6.927.648
Other institutions	-	95	8.475	119	-	-	-	-	8.689
Commercial and other institutions	-	-	10.889	-	-	-	-	-	10.889
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.325.471	-	1.651.045	44.328	-	19.203	41.364	-	3.081.411
X. Participation accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Participation accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	12.000.145	2.964.437	28.032.338	294.904	-	489.573	2.604.653	-	46.386.050

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a.2) Exceeding Amounts of Insurance Limit:

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

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit
	Current Period 31.03.2021	Prior Period 31.12.2020	Current Period 31.03.2021	Prior Period 31.12.2020
Real persons current and profit sharing accounts that are not subject to commercial activities	6.365.064	6.262.307	12.316.663	11.597.180
TL accounts	3.229.145	3.102.912	2.915.575	3.238.877
FC accounts	3.135.919	3.159.395	9.401.088	8.358.303
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance:

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

	Current Period 31.03.2021	Prior Period 31.03.2020
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	884	672
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on funds borrowed:

a) Information on banks and other financial institutions

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	396.526	1.076.338	380.086	1.012.839
From Foreign Banks, Institutions and Funds	-	162.482	-	33.689
Total	396.526	1.238.820	380.086	1.046.528

b) Information on maturity structure of borrowings:

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Short-term	136.378	291.123	104.520	750.707
Medium and Long-term	260.148	947.697	275.566	295.821
Total	396.526	1.238.820	380.086	1.046.528

c) Explanations Related to the Concentrations of the Bank's Major Liabilities: Concentrations of the Bank's major liabilities, funder customer, segments or other criteria which are seen risk concentrations:

76% of Bank's liabilities consists of current and share profit account.

3. Funds provided under repurchasing agreements:

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Domestic	3.403.126	-	2.101.073	-
Financial Institutions	3.403.126	-	2.101.073	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	3.403.126	-	2.101.073	-

4. Information on securities issued:

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Bond	-	-	-	-
Asset Backed Securities	3.316.148	-	4.017.250	-
Bill	-	-	-	-
Toplam	3.316.148	-	4.017.250	-

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

None (31 December 2020: None)

6. Information on derivative financial liabilities:

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Forward transactions	89	-	-	19.213
Swap transactions	-	1.816	-	227
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	89	1.816	-	19.440

7. Information on Financial Lease Obligations:

	Current Period 31.03.2021		Prior Period 31.12.2020	
	Gross	Net	Gross	Net
Less than 1 year	6.677	5.505	73.018	42.158
Between 1-5 years	75.407	56.112	126.116	78.453
More than 5 years	135.377	72.529	9.770	7.023
Total	217.461	134.146	208.904	127.634

8. Information on provisions:

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

There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2020: None).

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

Specific provisions for indemnified non-cash loans amounting to TL 78.670 (31 December 2020: TL 65.327).

c) Information on other provisions:

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

Free provision amounting to TL 45.000 was reserved with the bank management decision, all of which were registered in the previous years (31 December 2020: TL 45.000).

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31 MARCH 2021**

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**EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES (Continued)****8. Information on provisions (Continued)****c) Information on other provisions (Continued)****c.2) The names and amounts of sub-accounts of other provisions exceeding 10% of the total provision amount:**

As of 31 March 2021, TL 250.133 (31 December 2020: 206.087) of other provisions amounting to TL 250.273 (31 December 2020: 206.234) is out of the reserves set aside to cover the part of the Savings Deposit Insurance Fund premium to participation accounts share, while the portion of TL 140 (31 December 2020: 147) consists of provisions for impairment in foreign exchange transactions.

c.3) Information on litigation provisions

A provision of TL 36.395 has been set aside in the financial statements for litigation that have not yet been finalized against the bank (31 December 2020: TL 36.613).

d) Information on provisions for employee benefits:**d.1) Employment termination benefits and unused vacation rights**

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 31 March 2021, the amount payable consists of one month's salary limited to a maximum of TL 7.639 (full TL) (31 December 2020: TL 7.117 (full TL)) for each year of service.

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

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Discount Rate (%)	% 12,80	% 12,80
Inflation	% 10,10	% 10,10

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Balance at the 1 January	18.984	8.662
Changes during the period	2.072	4.616
Paid during the period	-	1.148
Severance Pay	-	(429)
Loss/(gain) obtained from layoff	-	284
Actuarial loss/(gain)	-	4.703
Balance at the end of the period	21.056	18.984

As of 31 March 2021, the Bank has a TL 10.000 short-run employees' rights provision (31 December 2020: TL 7.250).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on provisions (Continued)

d) Information on provisions for employee benefits (Continued)

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 March 2021, no technical deficit has been reported.

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

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

The Bank has allocated a provision amounting to TL 29.555 based on the bonus to be paid in a current period. (31 December 2020 : TL 29.836)

9. Explanations on tax liability:

a) Information on tax provisions:

As of 31 March 2021 the Banks's corporate income tax liability is TL 46.487 (31 December 2020: TL 96.632).

b) Information on taxes payable:

	Current Period 31.03.2021	Prior Period 31.12.2020
Corporate Tax Payable	-	57.157
Taxation on Income From Securities	23.212	18.264
Property Tax	237	159
Banking Insurance Transactions Tax (BITT)	14.789	12.977
Foreign Exchange Transactions Tax	820	1.099
Value Added Tax Payable	4.388	3.642
Other	2.602	2.975
Total	46.048	96.273

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on tax liability: (Continued)

c) Information on premiums:

	Current Period 31.03.2021	Prior Period 31.12.2020
Social Security Premiums – Employee	8	8
Social Security Premiums – Employer	14	14
Bank Social Aid Pension Fund Premium - Employee	7	1
Bank Social Aid Pension Fund Premium - Employer	4	7
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	136	110
Unemployment Insurance – Employer	270	219
Other	-	-
Total	439	359

10) Information on deferred tax liabilities, if any:

The Group has no deferred tax liability as of the balance sheet date. (31 December 2020: None)

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

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2020: None).

12. Explanations on subordinated debts

	Current period 31.03.2021		Prior period 31.12.2020	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:	-	831.815	-	768.037
Subordinated Loans(*)	-	831.815	-	768.037
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:	300.391	-	312.489	-
Subordinated Loans (**)	300.391	-	312.489	-
Equity-like Debt Instruments	-	-	-	-
Total	300.391	831.815	312.489	768.037

(*) The Bank provided subordinated loan from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share which is approved by BRSA dated 22 April 2019. The Bank has calculated the fair value of the loan in accordance with TFRS 9 and TFRS 13 using the prices of similar financial instruments on the balance sheet date and reflected them to the financial statements..

(**) The Tier II capital amounting to TL 300.000 is T.C. Ziraat Bank A.Ş. has been signed on 28 March 2019. This loan has been entered into the accounts of the Bank on 29 March 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period 31.03.2021	Prior Period 31.12.2020
Common stock	1.750.000	1.750.000
Preferred stock	-	-

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

None.

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

None.

d) Information on additions from capital reserves to capital in the current period:

None.

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

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2020: None).

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

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators. (31 December 2020: None).

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

As of 31 March 2021, the Bank has no preferred shares (31 December 2020: None).

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

	Current Period 31.03.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(21.251)	125	(9.259)	(84)
Revaluation Difference	(26.991)	125	(12.063)	(84)
Deferred Tax Effect	5.740	-	2.804	-
Foreign Exchange Difference	-	-	-	-
Total	(21.251)	125	(9.259)	(84)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period 31.03.2021	Prior Period 31.12.2020
Commitments for Credit Card Expenditure Limits	277.794	155.132
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	355.454	268.625
Loan Granting Commitments	19.069	16.428
Asset Purchase Commitments	65.018	48.071
Tax and Fund Liabilities from Export Commitments	161.953	173.340
Promotion Commitment Regarding Credit Card and Banking Services	34	1
Total	879.322	661.597

b) The nature and amount of possible losses and commitments from off-balance sheet items including the following:

The amount of provision for Stage 3 possible losses arising from the off-balance sheet items is TL 28.380 (31 December 2020: TL 26.708).

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Guarantee Letters	14.367.256	12.574.368
Bank Acceptances	16.756	7.687
Letter of Credits	1.979.252	1.380.643
Other Contingencies	1.999.735	1.953.072
Total	18.362.999	15.915.770

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

	Current Period 31.03.2021	Prior Period 31.12.2020
Letters of Temporary Guarantees	1.008.910	945.817
Letters of Certain Guarantees	6.880.191	6.505.269
Letters of Advance Guarantees	1.093.770	592.998
Letters of Guarantees given to Customs Offices	86.978	100.010
Other Letters of Guarantees	5.297.407	4.430.274
Total	14.367.256	12.574.368

b.3) Total non-cash loans:

	Current Period 31.03.2021	Prior Period 31.12.2020
Non-Cash Loans for Providing Cash Loans	5.297.405	4.430.274
With Original Maturity of One Year or Less	599.843	406.570
With Original Maturity of More than One Year	4.697.562	4.023.704
Other Non-Cash Loans	13.065.594	11.485.496
Total	18.362.999	15.915.770

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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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

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

	Current Period 31.03.2021		Prior Period 31.03.2020	
	TL	FC	TL	FC
Profit share on loans (*)	825.274	139.635	594.735	119.186
Short term loans	215.798	24.186	215.021	32.131
Medium and long term loans	596.062	113.014	366.466	87.055
Profit share on non-performing loans	13.414	2.435	13.248	-
Premiums received from resource utilization support fund	-	-	-	-

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

b) Information on profit share received from banks:

	Current Period 31.03.2021		Prior Period 31.03.2020	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	245	-	-
Foreign Banks	-	260	-	-
Head Office and Branches	-	-	-	-
Total	-	505	-	-

c) Information on profit share income from securities portfolio:

	Current Period 31.03.2021		Prior Period 31.03.2020	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	2.784	-	2.460	8.115
Financial Assets at Fair Value through Other Comprehensive Income	143.983	10.020	71.630	3.994
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	13.315	-	-
Total	146.767	23.335	74.090	12.109

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

None (31 March 2020: None).

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

	Current Period 31.03.2021		Prior Period 31.03.2020	
	TL	FC	TL	FC
Banks	25.314	21.065	14.609	24.705
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	4.421	18.704	1.051	19.571
Foreign Banks	20.893	2.361	13.558	5.134
Head Office and Branches	-	-	-	-
Other Institutions	-	-	12.285	8.747
Total	25.314	21.065	26.894	33.452

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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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 expense given to associates and subsidiaries:**

None (31 March 2020: None)

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

Profit share expense on securities issued is TL 150.207 (31 March 2020: TL 68.589).

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

Current Period 31.03.2021	Participation Accounts						
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Cumulative Participation Account	Total
Turkish Lira							
Funds Collected from Banks via Current and Participation Accounts	-	2.154	-	-	-	-	2.154
Real Person's Non Commercial Participation Accounts	16.055	135.931	1.200	1.543	7.804	-	162.533
Public Sector Participation Accounts	23.562	23.524	6.065	2.988	-	-	56.139
Commercial Sector Participation Accounts	32.942	346.538	2.514	4.707	11.432	-	398.133
Other Institutions Participation Accounts	712	46.935	2.403	-	2	-	50.052
Total	73.271	555.082	12.182	9.238	19.238	-	669.011
Foreign Currency							
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	1.719	16.038	220	470	6.984	-	25.431
Public Sector Participation Accounts	1	3	-	-	-	-	4
Commercial Sector Participation Accounts	514	25.641	1.873	739	4.633	-	33.400
Other Institutions Participation Accounts	8	57	-	-	-	-	65
Public Sector Participation Accounts	-	2.043	187	24	46	-	2.300
Total	2.242	43.782	2.280	1.233	11.663	-	61.200
Grand Total	75.513	598.864	14.462	10.471	30.901	-	730.211

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. d) Presentation of dividends paid to participation accounts according to maturity structure (Continued)

Prior Period 31.03.2020	Participation Accounts						
Account Name	1 Month	3 Months	6 Months	1 Year	Over 1 Year	Cumulative Participation Account	Total
Turkish Lira							
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	13.765	106.933	1.910	1.648	6.885	-	131.141
Public Sector Participation Accounts	2.807	4.275	1.143	6.263	1.951	-	16.439
Commercial Sector Participation Accounts	10.972	71.231	4.091	5.113	423	-	91.830
Other Institutions Participation Accounts	883	7.380	6.205	6	52	-	14.526
Total	28.427	189.819	13.349	13.030	9.311	-	253.936
Foreign Currency							
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	1.053	12.447	215	303	8.008	-	22.026
Public Sector Participation Accounts	3	4	-	-	-	-	7
Commercial Sector Participation Accounts	641	4.086	424	1.005	5.890	-	12.046
Other Institutions Participation Accounts	-	212	-	-	-	-	212
Public Sector Participation Accounts	-	483	27	6	29	-	545
Total	1.697	17.232	666	1.314	13.927	-	34.836
Grand Total	30.124	207.051	14.015	14.344	23.238	-	288.772

3. Information on dividend income:

There is no dividend income of the bank as of 31 March 2021. (31 March 2020: None).

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

	Current Period 31.03.2021	Prior Period 31.03.2020
Income	4.628.701	2.370.941
Foreign exchange gains	82.652	39.737
Gain on derivative financial instruments	29.181	35.197
Gain on capital market transactions	4.516.868	2.296.007
Losses (-)	4.539.446	2.341.715
Foreign exchange losses	84.394	669
Losses on derivative financial instruments	69.253	10.339
Losses on capital market transactions	4.385.799	2.330.707
Net	89.255	29.226

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

	Current Period 31.03.2021	Prior Period 31.03.2020
Effect of the change in exchange rates on profit/loss	(40.072)	24.858
Total	(40.072)	24.858

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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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. Information on other operating income:

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

	Current Period 31.03.2021	Prior Period 31.03.2020
Correction Account for Previous Years Expenses	224.346	67.696
Income from the Sale of the Asset	639	3.255
Provision for Communication Expenses	264	208
Checkbook Fees	120	85
Other	1.621	280
Total	226.990	71.524

(*) Adjustment account for previous year expenses consists of 134.516 TL is for general provision cancellations (31 March 2020: 56.393 TL), 47.158 TL is for security impairment loss provisions (31 March 2020: None.) and 33.397 TL is from special provision cancellations (31 March 2020: None.) March 2020: 10.015 TL).

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

	Current Period 31.03.2021	Prior Period 31.03.2020
Expected Credit Loss	272.800	311.748
12 month expected credit loss (stage 1)	61.543	43.052
Significant increase in credit risk (stage 2)	78.856	34.996
Non-performing loans (stage 3)	132.401	233.700
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	21.494	16.016
Total	294.294	327.764

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on other operating expenses:

	Current Period 31.03.2021	Prior Period 31.03.2020
Provision of Employee Termination Benefits	2.072	1.052
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	13.344	11.832
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	4.372	3.083
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	21.991	25.232
Leasing Expenses Related to TFRS 16 Exceptions	67	15
Maintenance Expenses	4.229	4.167
Advertisement Expenses	3.335	8.643
Other Expenses	14.360	12.407
Loss on Sales of Assets	-	203
Other (*)	27.676	26.306
Total	69.455	67.708

(*) The balance which forms the other item part, TL 17.747 (31 March 2020: TL 11.539), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 12.929 (31 March 2020: TL 11.774) consists of taxes, fees and funds and other service expenses

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

As of 31 March 2021, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 31.03.2021	Prior Period 31.03.2020
Net Profit Share Income	241.971	477.801
Net Fees and Commissions Income	30.866	16.936
Dividend Income	-	-
Trading Income/Expense (Net)	89.255	29.226
Other Operating Income	226.990	71.524
Expected Loss Provision (-)	272.800	311.748
Other Provision Expense	21.494	16.016
Personnel Expense	72.566	53.976
Other Operating Expenses (-)	69.455	67.708
Income/(Loss) from Continuing Operations	152.767	146.039

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of 31 March 2021, the Bank's total tax provision expense amounting to TL 28.015 (31 March 2020: TL 32.472) consists of TL 15.250 (31 March 2020: TL 32.280) of current tax expense and TL 12.765 (31 March 2020: TL 192) of deferred tax expense.

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

The Bank's net operating income after tax amounts to TL 124.752 (31 March 2020: TL 113.567 Net Profit).

11. Information on net profit/loss:

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

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

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

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

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

None (31 March 2020: None).

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

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

Current Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	540	-	-	-
Balance at end of period	-	-	561	-	-	-
Profit share and commission income	-	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	3.097.903	-	-	-
Balance at the end of the period	-	-	540	-	-	-
Profit share and commission income	-	-	5.739	-	-	-

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	-	-	2.715	59.324	-	-
Balance at the end of period	-	-	357	2.715	-	-
Participation Accounts						
Profit Share Expenses	-	-	9	634	-	-

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	-	-	560.325	791.393	-	-
Balance at the end of the period	-	-	506.547	560.325	-	-
Profit share paid expense	-	-	4.421	9.249	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	2.153.566	2.383.936	-	-
Closing Balance	-	-	488.635	2.153.566	-	-
Total Profit/Loss	-	-	4.460	27.121	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management:

The Bank has paid TL 2.097 (31 March 2020: TL 1.246) to top management.

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

As of March 31, 2021, the implementation of the new tax rates determined by the provisions in Articles 11 and 14 of the Law on the Procedure of the Collection of Public Receivables and the Law on Amendment of Certain Laws, which entered into force after being published in the Official Gazette dated 22 April 2021 and numbered 31462. It does not have a material effect on the consolidated financial statements.

In accordance with the profit distribution decision taken at the 2020 Ordinary General Assembly meeting held on 31 March 2021, 5% of the balance sheet profit TL 31.928 amounting to TL 638.562 was allocated from the balance sheet profit of the year 2020, and the remaining TL 606.634 and the company related to the Ziraat Leasing merger It has been decided to keep the amount of TL 2.568 transferred from the period profit to the previous year's profits within the Bank. The Ordinary General Assembly Resolution was registered in the Turkish Trade Registry Gazette numbered 10313 on 20 April 2021.

The Bank, by T.C. Ziraat Bankası A.Ş. with the approval of BRSA dated 26 March 2021, a subordinated loan obtained amounting to TL 500.000 within the scope of the additional Tier I capital with 10 years maturity and 6-month dividend payment.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

SECTION SIX

EXPLANATIONS ON AUDITOR’S REVIEW REPORT

I. EXPLANATIONS ON INDEPENDENT AUDITOR’S REVIEW REPORT

As of 31 March 2021, consolidated financial statements and explanatory notes of the Bank disclosed herein were audited by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and Auditors’ Report dated 10 May 2021 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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

SECTION SEVEN

INTERIM ACTIVITY REPORT

I. Assessment of Chairman

The effects of the Covid-19 virus, which was first seen in China last year and then spread all over the world, on the global economy and social life are still continuing. In many countries, while the third wave was experienced in the epidemic, temporary shutdowns started to be seen again.

Problems started to occur in the supply chain due to temporary shutdowns; There has been a rapid increase in the prices of many intermediate goods and commodities. Although this situation puts some pressure on the global economy, it is expected that high growth figures will be achieved during the year due to delayed demand. In addition, the continuation of the coronavirus vaccination process supports the survival of the risk appetite in forward-looking financial markets.

Economic activity accelerated in the first quarter of the year in the USA, which is one of the countries where the pandemic is effective. While the FED's expansionary monetary policy continued, the USD 1.9 trillion incentive package became the main element of recovery in the economy. While serious progress has been made in the vaccination process in the USA, it is stated that approximately one third of the population is vaccinated. In the US economy, which contracted last year, it is expected that high growth figures will be achieved this year.

The pandemic has also been effective in the European continent, and last year, there was a serious contraction in the economies of the union country. However, the introduction of incentive packages and the expansion of the liquidity opportunities of the European Central Bank (ECB) brought about recovery in the economies. Although there are temporary shutdowns, the vaccination process is proceeding as planned. The European Union economy is expected to grow above average this year. On the other hand, the Euro's preservation of its value and the increase in demand in Europe is considered as a very positive development for our country.

Economic and social life in Turkey has been adversely affected by the pandemic. Despite this, our country has been the only country outside of China to achieve positive growth among the G-20 countries last year. While the measures taken by our government to prevent the negative effects of the pandemic provided economic recovery, social expenditures also reduced the pressures on the lower income segment of the society. High growth rates are expected in the first quarter of the year with the acceleration of economic activity.

Ziraat Participation Bank has determined it as a strategic priority to make the most efficient use of the resources it provides from domestic and abroad to the country's economy, and to contribute to increasing the share of participation banking in the financial sector of our country. While the asset size of the participation banking sector increased by 7.1% in the first quarter of this year compared to the beginning of the year, the asset size of the banking sector increased by 6.3% in the same period. In the same period, the asset size of our Bank increased by 5.24%. Looking at the profit figures, the net profit of the participation banking sector in the first quarter of 2021 increased by 28.3% compared to the same period of the previous year, while the net profit of the banking sector increased by 4.3% in the same period. In the same period, our Bank's net profit increased by 9.85%. The share of participation banking in the sector, which was 7.15% at the end of last year, increased to 7.2% in the first quarter of this year. Sustaining this positive performance recorded in Participation Banking will contribute to the deepening of the Turkish financial system and its more vulnerability to risks.

Bearing the title of Turkey's first public participation bank, Ziraat Participation Bank continued to provide effective service to our customers in the first quarter of the year, without compromising its quality, despite the pandemic conditions. Our bank has continued to work devotedly to contribute to participation banking, to increase its support to our economy and to create more added value, by continuing to strictly comply with the measures taken since the first outbreak of the epidemic. Our bank aims to provide more effective service to its customers by continuing to branch out in line with its growth targets throughout the year. It will continue to work to contribute more to our economy in the upcoming periods.

Hüseyin AYDIN
Chairman of the Board

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager

ZİRAAT PARTICIPATION CONTINUES TO GROWTH

Ziraat Participation's total assets reached 63.3 billion TL with an increase of 5% in the first quarter of 2021 compared to the end of 2020, while the funds collected reached 48.2 billion TL with an increase of 4% compared to the same period. While the cash funds provided increased by 6% to 44.5 billion TL, the total cash and non-cash financing provided by Ziraat Participation to the entire sector was 62.9 billion TL. Ziraat Participation completed the first quarter of 2021 with TL 125 million in profit, as a result of the successful execution of its service approach that prioritizes customer satisfaction and its structured business cycle focusing on efficiency. Ziraat Participation, rapidly expanding its branch network throughout Turkey, reached a total of 105 branches as of the first quarter of 2021, 104 of which were domestic branches and 1 foreign branch.

LEASE CERTIFICATE ISSUES REACHED TL 28 BILLION

Ziraat Participation Bank successfully completed the issuance of 7 lease certificates in the first quarter of 2021. Ziraat Yatırım Menkul Değerler A.Ş. While 2.7 billion TL funding was obtained from these issuances made through these issues, there was an intense demand from qualified investors for all of the lease certificate issues. Again in the first quarter of 2021, Ziraat Participation issued a lease certificate indexed to inflation for the first time and the amount of this issue was 250 million TL. Ziraat Participation, Turkey's first publicly owned participation bank, has reached a total volume of 28 billion TL with the issuance of 79 lease certificates to qualified investors since its inception in 2015.

TOURISM SUPPORT PACKAGE CONTINUED IN THE 1ST QUARTER

Responding to the needs and expectations of its customers by offering the most appropriate solutions and value proposals through the most accurate channel, Ziraat Participation continued to support the financing of the real sector, especially SMEs, in the current period as in 2020. Within the framework of the Treasury Backed Guarantee System, the support we provided with the "Tourism Support Financing Package" with KGF guarantee continued in the first quarter of 2021, and our financing support exceeded 171 million TL. As Ziraat Participation, we will continue to continue its activities without slowing down in terms of facilitating the access of our customers to finance and making them available under suitable conditions.

SECOND TERM SUB PROTOCOL SIGNED WITH CREDIT GUARANTEE FUND A.Ş.

In order to ensure the competitiveness and sustainability of SMEs, to encourage the entrepreneurship culture and to support SMEs' access to finance, the 2nd Term sub-protocol regarding the "Competitiveness of Enterprises and SMEs Program-COSME" program has been signed between Credit Guarantee Fund A.Ş.(Institutional bail European Investment Fund - AIF counter guarantee).

WE CONTINUE PROTOCOLS WITH THE MUFTIAL OFFICES

In the first quarter of 2021, protocols were signed with 33 more Mufti offices affiliated to our Directorate of Religious Affairs and the total number of Mufti offices with which protocols were signed was increased to 200. Thus, the salary payments of a total of 25,315 Mufti employees working under these Mufti offices were transferred to our Bank. In addition, in order to provide better service to our customers, the Arabic Branch support line works have started, which will be implemented soon.

PARDUS OPERATING SYSTEM STARTED TO USE

As part of the "Nationalization in Technology" strategy, our bank completed the migration studies to the open source operating system on the client computer, and in addition to the existing systems, the domestic operating system, Pardus, has also started to be used.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

WE CONTINUE WITH OUR INFORMATION SYSTEMS INVESTMENTS

With the EKAP integration project, it was ensured that the temporary letters given within the scope of public tenders were given electronically. With the establishment of the Dematerialized Gold Transfer System, it was ensured that gold can be transferred instantly and the entire operation was systematized. In addition, the Sudan Branch Financing, Islamic Investment Products (Murabaha), Islamic Treasury Management, Credit Bureau and Foreign Trade Financing transaction infrastructure were put into use. Our customers who have foreign currency risk in their follow-up accounts have been given the opportunity to structure their entire debt in TL in order to facilitate payment and not to be affected by exchange losses. The process of structuring the Individual Basic Needs Support Loan via Internet Banking was completed, and with the integration with TOKI, it became the first participation bank to serve customers in social housing projects.

WE PROVIDE DIGITAL CONVENIENCE TO OUR CUSTOMERS

The mobile phone, e-mail address, T.C. Instant Transfer (FAST) Internet Branch, where they can transfer money 24/7 with their ID, passport or tax number, is now available on the Customer Contact Center and Participation Mobile. Our customers who have credit cards via Internet Branch or Participation Mobile are able to share their card statements and view their Member workplace statements. In order to make e-commerce payments fast and without the need for card information, Ziraat Participation ÖDE has opened a payment method from the account for our customers. In the Internet Branch, our customers are enabled to perform their transactions faster with the "All balance" option in order to provide a better experience in transfer and investment transactions. AUD, CAD, DKK, NOK and SEK currency transactions can be made through the Internet Branch, Katılım Mobile, ATM and Customer Communication Center. Work on the Joint ATM Project (TAM ATM) carried out by the Public Banks is continuing rapidly. In this context, the first Branch ATM was installed in our Mecidiyeköy Branch and made available to our customers.

ELECTRONIC MORTGAGE PROCEDURES PILOT WORKS COMPLETED

The pilot study of "Electronic Mortgage Transactions" has ended and has been disseminated to all branches. In the tenders made by the Public Procurement Authority with the electronic tender method, the studies on the issuance of the bid bond in the electronic environment started in 2020; The project was completed in 2021. The project in question is carried out on the platform provided by the Public Procurement Authority (PPA). With this development, it is ensured that the paper environment is eliminated and the risk is minimized.

INTEGRATION OF OPEN EXPORT ACCOUNTS WITH GUVAS IS COMPLETED

Integration with GUVAS, the system of the Ministry of Commerce, has been completed for tracking open export accounts. A new screen has been developed in order to easily follow up the transactions to be reported to the Tax Office from the system, and it has been ensured that Tax Office Notice Forms are automatically created by the system. With the implementation of the SWIFT GPI application, it was ensured that the fate of outgoing international transfers and correspondent cost deductions can be monitored transparently from the main banking system. The Iban-complete application was integrated into the main banking system in order to ensure that transactions are carried out in full automation by optimizing the processes of international payments. It was ensured that the IBAN control is carried out by the system and the bank information where the account is located is displayed. In addition, with a new screen developed, IBAN, beneficiary bank and correspondent bank information can be monitored from the main banking system. In addition, a counter-guarantee on payment guarantee based on the purchase of goods was sent from our Sudan Branch for the first time, and a letter of guarantee was issued to our customer in return.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

COVID-19 MEASURES CONTINUE FOR OUR CUSTOMERS AND EMPLOYEES

Within the scope of the Covid-19 epidemic, which has completely affected the whole world since March 2020, in 2021, all necessary measures are taken to prevent our customers and employees from being affected by the virus, while effective service is provided to our customers without sacrificing service quality.

We continue to work devotedly to increase our contribution to the real economy in line with our values and ethical principles, which are the reflection of our deep-rooted corporate culture.

Metin ÖZDEMİR
General Manager

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

INTERIM ACTIVITY REPORT (Continued)

III. Shareholding Structure

The paid in capital of Ziraat Katılım Bankası A.Ş. is TL 1.750.000.000 and this capital is divided into 1.750.000.000 shares, each of which is worth 1,00 Turkish Liras. The Chairman and Members of the Board of Directors, the Members of the Audit Board, 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.	1.749.999.996	1.749.999.996
Türkiye Sigorta A.Ş.	1	1
Türkiye Hayat ve Emeklilik 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

No amendments were made to the articles of association during the period.

V. Main Financial Indicators

Loans in Bank Assets are 70% with 44.485.430 Thousand TL, Cash and Cash Equivalents are 17% with 11.006.117 Thousand TL, Securities 11% with 7.011.859 Thousand TL, Other Assets receives 2% with 834.992 Thousand TL.

Assets (Thousand TL)	31 March 2021	31 December 2020	Variance (%)
Cash Values and Cash Equivalents	11.006.117	10.273.948	7
Securities	7.011.859	6.895.629	2
Loans	44.485.430	42.206.410	5
Other Assets	834.892	810.909	3
Total Assests	63.338.298	60.186.896	5

Deposit in Bank Liabilities, are 76% with 48.229.324 Thousand TL, Non-Deposit Resources are %15 with 9.486.826 Thousand TL, Equity are 6% with 3.847.242 Thousand TL Other Liabilities are %3 with 1.775.006 Thousand TL.

Liabilities (Thousand TL)	31 March 2021	31 December 2020	Variance (%)
Deposit	48.229.224	46.386.050	4
Non- Deposit Resources	9.486.826	8.625.463	10
Other Liabilities	1.775.006	1.441.110	23
Equity	3.847.242	3.734.273	5
Total Liabilities	63.338.298	60.186.896	5

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

INTERIM ACTIVITY REPORT (Continued)

V. Main Financial Indicators (Continued)

Selected Income-Expenses (Thousand TL)	31 March 2021	31 March 2020
Profit Share Income	1.279.952	901.896
Profit Share Expense	1.037.981	424.095
Net Profit Share Income	241.971	477.801
Net Fee and Commission Income	30.866	16.936
Trading Profit/Loss	89.255	29.226
Other Operating Income	226.990	71.524
Other Operating Expense	69.455	67.708
Expected Loss Provision	272.800	311.748
Other Provision Expense	21.494	16.016
Personel Expense	72.566	53.976
Profit / Loss Before Tax	152.767	146.039
Tax Provision	(28.015)	(32.472)
Net Profit/Loss	124.752	113.567

RATIOS (%)	31 March 2021	31 December 2020
Capital Adequacy Ratio	13,9	14,8
Equity / Total Assets	6,1	6,2
Total Loans / Total Assets	70,2	70,1
Borrowings/Total Assets	76,1	77,1
Non-Performing Loans (Gross)/Loans	2,7	2,7

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 50.000 TL, all of which was paid by Ziraat Participation, 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 / ISTANBUL.

As of 31 March 2021, 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 / ISTANBUL	50.000	50.000

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 590.000.000, maturity of 182 days, redemption date of 17.06.2021, ISIN code "TRDZKVK62119", within the framework of the approval of the General Directorate of the Stock Exchange on 17/04/2020, on 17.12.2020 and since then, the Debt Securities Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

INTERIM ACTIVITY REPORT (Continued)

VI. Information on the Consolidated Subsidiary (Continued)

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.: (Continued)

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of 350.000.000 TL, 98 days maturity, amortization date 14.04.2021, ISIN code "TRDZKVK42111", within the framework of the approval of the General Directorate of the Stock Exchange, dated 06.01.2021 and Borrowing as of 08.01.2021. Vehicles Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 350.000.000, maturity of 92 days, redemption date 28.04.2021, ISIN code "TRDZKVK42129", within the framework of the approval of the General Directorate of the Stock Exchange on 17/04/2020, on 26.01.2021 and as of 28.01.2021, Vehicles Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 400.000.000, maturity of 102 days, redemption date 25.05.2021, ISIN code "TRDZKVK52110", within the framework of the approval of the General Directorate of the Stock Exchange, dated 12.02.2021 and Since then, the Debt Securities Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of 400.000.000 TL, 100 days maturity, amortization date 04.06.2021, ISIN code "TRDZKVK62127", within the framework of the approval of the General Directorate of the Stock Exchange, dated 24.02.2021, and as of 26.02.2021, Vehicles Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 400.000.000, maturity of 103 days, redemption date of 22.06.2021, with the ISIN code "TRDZKVK62135", within the framework of the approval of the General Directorate of the Stock Exchange on 17/04/2020, on 11.03.2021. Vehicles Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of TL 500.000.000, maturity of 102 days, redemption date 06.07.2021, ISIN code "TRDZKVK72118", in accordance with the approval of the Exchange General Directorate on 26/03/2021, on 26.03.2021. Vehicles Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

Ziraat Katılım Varlık Kiralama A.Ş. with a nominal value of 250.000.000 TL, 182 days maturity, amortization date 28.09.2021, ISIN code "TRDZKVK92116", in accordance with the approval of the General Directorate of the Stock Exchange on 17/04/2020, on 30.03.2021. Vehicles Market has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

ZİRAAT KATILIM BANKASI A.Ş.

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

INTERIM ACTIVITY REPORT (Continued)

VI. Information on the Consolidated Subsidiary (Continued)

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş (Continued)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK62119
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	590.000.000,-TL
Nominal Amount Sold	590.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	17/06/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	17,15% (annual simple), 17,88743% (annual compound), 8,55151% (rate of return)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK42111
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	350.000.000,-TL
Nominal Amount Sold	350.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	14/04/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	18,10% (simple annual), 19,33201% (annual compound), 4,85973% (rate of return)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK42129
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	350.000.000,-TL
Nominal Amount Sold	350.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	28/04/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	17,80% (simple annual), 19,02014% (annual compound), 4,48658% (rate of return)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

INTERIM ACTIVITY REPORT (Continued)

VI. Information on the Consolidated Subsidiary (Continued)

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş (Continued)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK52110
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	400.000.000,-TL
Nominal Amount Sold	400.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	25/05/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	17,65% (simple annual), 18,80167% (annual compound), 4,93233% (rate of return)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK62127
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	400.000.000,-TL
Nominal Amount Sold	400.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	04/06/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	17,50% (simple annual), 18,64127% (annual compound), 4,79452% (rate of return)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK62135
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	400.000.000,-TL
Nominal Amount Sold	400.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	22/06/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	17,70% (simple annual), 18,85350% (annual compound), 4,99479% (rate of return)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2021

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

INTERIM ACTIVITY REPORT (Continued)

VI. Information on the Consolidated Subsidiary (Continued)

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş (Continued)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK72118
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	500.000.000,-TL
Nominal Amount Sold	500.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	06/07/2021
Redemption Plan of the Issued Lease Certificate	Principal and return payments will be made at once at maturity.
Return of Issued Lease Certificate	19,00% (simple annual), 20,33720% (annual compound), 5,30959% (rate of return)

Company Title	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Exported Lease Certificate	TRDZKVK92116
Type of Rental Certificate Issued	Lease Certificate
Type Of Transaction	Selling to Qualified Investors
Nominal Amount of Issuance	250.000.000,-TL
Nominal Amount Sold	250.000.000,-TL
Nominal Amount Charged for Not Being Sold	-
Amount Sold Through Allocation	Qualified Investor (% 100)
Issue Price	1,00 TL
Maturity of the Exported Lease Certificat	28/09/2021
Redemption Plan of the Issued Lease Certificate	The principal payment will be made at the end of maturity (28 September 2021). The first periodic return payment will be made on June 29, 2021, and the second periodic return payment will be made at the end of maturity (September 28, 2021).
Return of Issued Lease Certificate	17,61% (simple annual), 18,80862% (annual compound), 4,39044% (rate of return) (Annual CPI + 200 basis points Real Return)

ZİRAAT KATILIM BANKASI A.Ş.

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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. exclusively within the framework of the Communiqué on Lease Certificates (III-61.1) published in the Official Gazette dated 07.06.2013 and numbered 28760, on 08.09.2017, with a capital of 50.000 TL, all of which was paid by Ziraat Participation, and the permission obtained from the Banking Regulation and Supervision Agency and the Capital Markets Board was established to export lease certificates.

The head office of the Company is Fatih / ISTANBUL.

As of 31 March 2021, the Company has no personnel.

<u>Subsidiary</u>	<u>Address</u>	<u>Number of Shares</u>	<u>Number of Shares</u>
Ziraat Katılım . Bankası A.Ş.	Hobyar Eminönü Mahallesi Hayri Efendi Cad. /ISTANBUL	50.000	50.000

VII. 2021 I. Interim Activities

Head of Digital Banking and Channel Management Department

- In Instant Transfer (FAST) Internet Branch, Customer Contact Center and Katılım Mobil, where our customers can make money transfers with their mobile phone, e-mail address, TC ID, passport or tax number, which they define in the Esay Address system, without the need for an Account or IBAN number has been opened for use.
- Customers who have credit cards via Internet Branch or Katılım Mobile were enabled to share their card statements and view their Member workplace statements.
- In order to make e-commerce payments fast and without the need for card information, Ziraat Participation Payment method has been introduced for our customers' use.
- In the Internet Branch, our customers are enabled to perform their transactions faster with the "All balance" option in order to provide a better experience in transfer and investment transactions.
- AUD, CAD, DKK, NOK and SEK currency transactions can be made through the Internet Branch, Katılım Mobile, ATM and Customer Communication Center.
- Work on the Joint ATM Project (TAM ATM) carried out by the public banks continues rapidly. In this context, the first Branch ATM was installed in our Mecidiyeköy Branch and offered to our customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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INTERIM ACTIVITY REPORT (Continued)

VII. 2021 I. Interim Activities (Continued)

Head of Credit and Foreign Trade Operations Department

Projects carried out within the scope of activities:

- In the first quarter of 2021, the pilot study of "Electronic Mortgage Transactions" was successfully completed and it was disseminated to all branches.
- In the tenders made by the Public Procurement Authority with the electronic tender method, the studies on the issuance of the bid bond in the electronic environment started in 2020; The project was completed in 2021. The project in question is carried out on the platform provided by the Public Procurement Authority (PPA). With this development, it is ensured that the paper environment is eliminated and the risk is minimized.
- Electronic Commerce Customs Declarations (ECCD) started to be used in closing export commitments for export credits without documents.
- For the first time, a counter-guarantee on payment guarantee based on the purchase of goods was sent from our Sudan Branch, and a letter of guarantee was issued to our customer in return.
- Integration with GUVAS, the system of the Ministry of Commerce, has been completed for tracking open export accounts. A new screen has been developed in order to easily follow up the transactions to be notified to the Tax Office from the system, and it has been ensured that the Tax Office Notice Forms are automatically created by the system.
- With the implementation of the SWIFT GPI application, the fate of outgoing international transfers and correspondent cost deductions can be monitored transparently from the main banking system.
- The Iban-complete application was integrated into the main banking system in order to ensure that transactions are carried out in full automation by optimizing the processes of international payments. It was ensured that the IBAN control is made by the system and the bank information of the account is displayed. Furthermore, with a new screen developed, IBAN, beneficiary bank and correspondent bank information can be monitored from the main banking system.
- Letter of credit and external guarantee trainings were organized with ICC Turkey trainers in order to increase the competence of Foreign Trade personnel.
- A contract was signed with the law firm for financial leasing transactions for the purchase of boats / ships.

Projects to be carried out within the scope of activities:

- It is planned to establish a Foreign Trade Consultancy Line in order to answer / provide consultancy to technical questions of Foreign Trade customers.
- With the implementation of the SWIFT GPI application, it will be ensured that our customers can transparently monitor the fate of outgoing international transfers and the cost cuts of correspondents through digital channels.
- Letter of Credit and External Guarantee Transactions will begin to be processed at our Sudan branch.
- Customer visits and customer trainings are planned to increase foreign trade volume.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
31 MARCH 2021**

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

INTERIM ACTIVITY REPORT (Continued)

VII. 2021 I. Interim Activities (Continued)

Head of Credit and Foreign Trade Operations Department (Continued)

- It will be ensured that certain foreign trade transactions can be applied through digital channels.
- External guarantee processes will be optimized and swift messages will be integrated into the system.
- Automation of collateral outflows in individual financing closures will be ensured.
- KGF service integration will be provided.
- With the documented export credits exception application, free zone transaction forms (SBIF) that do not depend on the declaration will be used in closing export commitments for export credits without a certificate.

Head of Information Systems Management Department

Projects carried out within the scope of activities:

- Within the scope of the project for transition to open source operating systems on client machines, Pardus operating system was started to be used in addition to the existing systems.
- With FAST, 24/7 money transfers can be made via the Branch, Participation Mobile and Internet Branch to an account in a different bank using an IBAN or a defined Easy Address.
- With the integration with TOKI, it became the first participation bank to serve customers in social housing projects.
- With the EKAP integration project, it was ensured that the temporary letters given within the scope of public tenders were given electronically.
- With the establishment of the Dematerialized Gold Transfer System, it has been ensured that gold can be transferred instantly and the entire operation is systematized.
- New data requested was added to the banking and insurance transaction tax statement, which is reported monthly to the Revenue Administration.
- Financing of Sudan Branch, Islamic Investment Products (Murabaha), Islamic Treasury Management, Credit Bureau and Foreign Trade Financing transaction infrastructure was put into use.
- Our customers who have foreign currency risk in their follow-up accounts were given the opportunity to structure their entire debt in TL in order to ease payment and not to be affected by exchange losses.
- The process of structuring the Personal Basic Needs Support Loan via Internet Banking was completed.
- The General Directorate Operations Center scorecards were enabled to be created.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF
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INTERIM ACTIVITY REPORT (Continued)

VIII. Expectations Regarding the post - 2021 I. Interim Period

The impact of the Covid-19 epidemic, which spread all over the world, on the global economy and social life continued in the first quarter of 2021. While the rapid increase in the number of cases and the emergence of new mutations in the virus caused restrictions in social life again all over the world, there was a slight decrease in consumption and expenditure. The expansionary monetary policies of the central banks and the stimulus packages of the governments continued to play an important role in the recovery of the global economy. The vaccination process is closely followed by global economic actors. In this context, studies on vaccination and problems in vaccine supply are closely monitored by financial markets and possible developments cause fluctuations in the risk appetite. Due to the demand delayed due to the epidemic, the continuation of vaccination processes and the effect of the expansionary monetary and fiscal policies applied, the expectations for recovery in the global economy have increased, so international commodity prices have also increased.

The USA continued to take expansionary steps in monetary and fiscal policies in order to reduce the negative effects of the virus on the economy and support growth due to the epidemic that caused havoc in the economy. US President J. Biden has signed a 1.9 trillion USD aid package and is preparing an additional aid package of 2 trillion USD. The US Federal Reserve (FED) continued to take expansionary steps in monetary policies in the first quarter of the year in order to reduce the negative effects of the virus on the economy and support growth. The President of the FED stated that the loose monetary policy will continue and that the long-term interest rates are not likely to rise enough to require intervention. In addition, despite the rise in inflation, most of the FED officials declared that they do not expect an increase in interest rates until 2024. With the effect of the recovery in the US economy, long-term interest rates continued to hover above short-term interest rates, while inflation increased slightly. In the USA, the vaccination program continues as planned, and it is stated that approximately one third of the population is vaccinated. The US economy is expected to grow above averages this year due to the effect of the delayed demand, the vaccination program and the stimulus packages.

The Euro Zone economy is one of the economies most adversely affected by the epidemic. While employment and income losses continued, serious contractions occurred in many service sectors, especially in tourism. Increasing restrictions due to the increasing number of cases increased the pressure on foreign demand and exports. The vaccination program is closely followed in European countries, and it is observed that vaccination processes have been accelerated recently. While the ECB continued its monetary expansion during the epidemic period, it did not make any changes in interest rates. ECB stated in the text of the decision that the pace of purchasing will increase in the bond program. While there were positive developments in the Euro Area PMI data, there was a slight decline in retail sales. As a result, although macroeconomic data are still negative compared to the pre-epidemic period, optimistic expectations for the future continue.

In the first quarter of the year, the Covid-19 outbreak and the rise in long-term bond yields in developed countries continued to negatively affect the economies of developing countries. While there was a contraction in portfolios across developing countries compared to the previous period, the demand for the stock market continued. In addition, crude oil prices continued to rise, with continued serious supply cuts in oil production. Commodity prices also increased due to the effect of delayed demand and the rise in producer costs.

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INTERIM ACTIVITY REPORT (Continued)

VIII. Expectations Regarding the post - 2021 I. Interim Period (Continued)

Last year, Turkey was the only country outside of China to achieve positive growth among the G-20 countries. The measures taken by the economic authority in order to prevent the negative effects of the epidemic on the Turkish economy contributed to the continuation of financial stability and the recovery process by supporting the production potential. With the increasing number of cases, there has been a slight slowdown in economic activities since mid-March. With the contribution of ongoing vaccination studies, optimistic expectations for the epidemic have started to emerge, and there has been an increase in financial markets. Moreover, in the upcoming period, a permanent decrease in inflation and price stability are expected with the current tight monetary policy and financial stability. A new economic reform package was announced by the economy administration in March, emphasizing that the main priority of the package is fiscal discipline, that the share of foreign currency borrowing will be reduced, that approximately 850 thousand tradesmen will be exempted from income tax and the low single digit inflation target will be pursued.

Despite some deterioration in the budget figures of the programs announced by our Government to reduce the effects of the virus on social life and economy, economic recovery has accelerated and social peace has been prevented. Thanks to the planned and organized measures taken by the health authority in our country and the incentives provided by our government, Turkey has been successful in combating the virus compared to other countries

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