

**ZIRAAT KATILIM BANKASI
ANONIM SİRKETİ**

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 30 JUNE 2021 WITH
AUDITOR'S REVIEW REPORT**

***(CONVENIENCE TRANSLATION OF UNCONSOLIDATED
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 unconsolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") at 30 June 2021 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-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 unconsolidated financial statements as at 30 June 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 unconsolidated 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 unconsolidated financial information do not present fairly in all material respects the financial position of Ziraat Katılım Bankası Anonim Şirketi at 30 June 2021 and the results of its operations and its unconsolidated cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, is not consistent with the reviewed unconsolidated 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, 12 August 2021



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

**UNCONSOLIDATED INTERIM FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş
AS OF 30 JUNE 2021**

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

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

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

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:

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2021

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

SECTION ONE

GENERAL INFORMATION ABOUT THE BANK

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

Ziraat Katılım Bankası A.Ş. (“the Bank”) 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 20 September 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 Bank 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 Bank 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 Parent Bank (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 of the Bank, Ziraat Katılım 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 UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 30 JUNE 2021

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

II. EXPLANATION ABOUT THE 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 GROUP OF THE BANK

As of 30 June 2021 and 31 December 2020, main shareholders and capital amounts as follows:

Name of Shareholders	30 June 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 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 the Audit 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
Önder KIRMAN	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 30 June 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 UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 30 JUNE 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 BANK (Continued)

(***) On June 30, 2021, Önder KIRMAN was appointed as the Executive Vice President of Credit Allocation and Management, instead of Tahir DEMİRKIRAN, with the Bank's Board of Directors Decision dated June 24, 2021.

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 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 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 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 30 June 2021, the Bank operates with its 109 domestic branches (31 December 2020: 104 domestic branches and 1 foreign) and 110 branches in total, including the Sudan branch, which started operations as of 27 August 2020 abroad. As of 30 June 2021 the number of employees of the Bank is 1.331 (31 December 2020: 1.261).

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

None.

SECTION TWO

THE BANK'S UNCONSOLIDATED FINANCIAL STATEMENTS

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2021

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
ASSETS	Note (V-I)	Current Period (30/06/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		6.201.243	11.687.151	17.888.394	5.195.516	11.233.289	16.428.805
1.1 Cash And Cash Equivalents		1.888.319	8.280.038	10.168.357	419.033	9.854.915	10.273.948
1.1.1 Cash And Balances With Central Bank	(1)	1.881.310	5.826.204	7.707.514	409.579	5.067.541	5.477.120
1.1.2 Banks	(2)	7.735	2.453.834	2.461.569	12.394	4.787.374	4.799.768
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)		726	-	726	2.940	-	2.940
1.2 Financial Assets Measured At Fair Value Through Profit/Loss	(3)	-	1.221.714	1.221.714	980.872	-	980.872
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	1.221.714	1.221.714	980.872	-	980.872
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(4)	4.311.882	2.183.682	6.495.564	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		4.301.470	2.183.682	6.485.152	3.756.955	1.378.365	5.135.320
1.4 Derivative Financial Assets	(5)	1.042	1.717	2.759	28.244	9	28.253
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		1.042	1.717	2.759	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)		31.165.706	17.318.985	48.484.691	29.455.349	13.530.498	42.985.847
2.1 Loans	(6)	28.869.747	13.730.930	42.600.677	27.553.401	10.670.016	38.223.417
2.2 Lease Receivables	(6)	3.397.724	2.931.324	6.329.048	2.851.377	2.284.842	5.136.219
2.3 Measured at Amortized Cost	(7)	-	903.845	903.845	-	779.437	779.437
2.3.1 Government Securities		-	903.845	903.845	-	779.437	779.437
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		1.101.765	247.114	1.348.879	949.429	203.797	1.153.226
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	83.381	-	83.381	75.240	-	75.240
3.1 Assets Held for Sale		83.381	-	83.381	75.240	-	75.240
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	100	-	100	100	-	100
4.1 Associates (Net)		-	-	-	-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		100	-	100	100	-	100
4.2.1 Unconsolidated Financial Investments in Subsidiaries		100	-	100	100	-	100
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	212.167	73	212.240	177.601	363	177.964
VI. INTANGIBLE ASSETS (NET)	(11)	177.917	-	177.917	161.257	-	161.257
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		177.917	-	177.917	161.257	-	161.257
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET		-	33	33	-	-	-
IX. DEFERRED TAX ASSETS	(13)	117.609	-	117.609	108.597	-	108.597
X. OTHER ASSETS	(14)	368.696	40.266	408.962	213.728	35.458	249.186
TOTAL ASSETS		38.326.819	29.046.508	67.373.327	35.387.388	24.799.608	60.186.996

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS OF 30 JUNE 2021

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)							
LIABILITIES	Note (V-II)	Current Period (30/06/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	25.108.703	26.588.750	51.697.453	24.902.562	21.483.588	46.386.150
II. FUNDS BORROWED	(2)	3.440.855	1.347.481	4.788.336	4.397.336	1.046.528	5.443.864
III. MONEY MARKETS DEBTS	(3)	3.314.800	-	3.314.800	2.101.073	-	2.101.073
IV. SECURITIES ISSUED (Net)	(4)	-	-	-	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	2.021	2.021	-	19.440	19.440
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	2.021	2.021	-	19.440	19.440
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	160.803	111	160.914	111.946	15.688	127.634
VIII. PROVISIONS	(8)	213.160	264.101	477.261	211.628	197.616	409.244
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		34.378	-	34.378	56.070	-	56.070
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		178.782	264.101	442.883	155.558	197.616	353.174
IX. CURRENT TAX LIABILITY	(9)	78.908	347	79.255	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)	830.987	892.590	1.723.577	312.489	768.037	1.080.526
12.1 Loans		830.987	892.590	1.723.577	312.489	768.037	1.080.526
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	824.843	410.605	1.235.448	571.531	216.629	788.160
XIV. SHAREHOLDERS' EQUITY	(14)	3.894.842	(580)	3.894.262	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		(36.124)	(580)	(36.704)	(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)		187.350	-	187.350	641.130	-	641.130
14.6.1 Prior Period Profit / Loss		-	-	-	2.568	-	2.568
14.6.2 Current Period Profit / Loss		187.350	-	187.350	638.562	-	638.562
TOTAL LIABILITIES		37.867.901	29.505.426	67.373.327	36.439.412	23.747.584	60.186.996

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF OFF BALANCE SHEET COMMITMENTS AS OF 30 JUNE 2021

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (V-III)	Current Period (30/06/2021)			Prior Period (31/12/2020)		
		TL	FC	Total	TL	FC	Total
A		8.464.325	13.280.113	21.744.438	9.924.766	13.934.400	23.859.166
I. OFF-BALANCE SHEET COMMITMENTS (I+II+III)							
L. GUARANTEES AND WARRANTIES	(1)	7.438.552	12.358.330	19.796.882	6.839.282	9.076.488	15.915.770
1.1 Letters of Guarantee		7.375.142	7.794.953	15.170.095	6.691.971	5.882.397	12.574.368
1.1.1 Guarantees Subject to State Tender Law		233.563	2.261.696	2.495.259	190.927	1.696.645	1.887.572
1.1.2 Guarantees Given for Foreign Trade Operations		6.822.534	-	6.822.534	6.156.513	-	6.156.513
1.1.3 Other Letters of Guarantee		319.045	5.533.257	5.852.302	344.531	4.185.752	4.530.283
1.2 Bank Acceptances		-	16.870	16.870	-	7.687	7.687
1.2.1 Import Letter of Acceptance		-	16.870	16.870	-	7.687	7.687
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		32.597	2.290.794	2.323.391	40.077	1.340.566	1.380.643
1.3.1 Documentary Letters of Credit		32.597	2.290.794	2.323.391	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		27.813	2.252.039	2.279.852	98.155	1.841.367	1.939.522
1.7 Other Collaterals		3.000	3.674	6.674	9.079	4.471	13.550
II. COMMITMENTS	(1)	1.020.375	500.276	1.520.651	564.143	97.454	661.597
2.1 Irrevocable Commitments		1.020.375	500.276	1.520.651	564.143	97.454	661.597
2.1.1 Forward asset purchase commitments		357.810	500.276	858.086	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		383.597	-	383.597	268.625	-	268.625
2.1.7 Tax and Fund Liabilities from Export Commitments		19.964	-	19.964	16.428	-	16.428
2.1.8 Commitments for Credit Card Limits		92.494	-	92.494	48.071	-	48.071
2.1.9 Commitments for Credit Cards and Banking Services Promotions		161	-	161	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		166.349	-	166.349	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		5.398	421.507	426.905	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		5.398	421.507	426.905	2.521.341	4.760.458	7.281.799
3.2.1 Forward Foreign Currency Buy/Sell Transactions		5.398	418.331	423.729	15.631	2.168.006	2.183.637
3.2.1.1 Forward Foreign Currency Transactions-Buy		-	213.071	213.071	14.299	1.068.995	1.083.294
3.2.1.2 Forward Foreign Currency Transactions-Sell		5.398	205.260	210.658	1.332	1.099.011	1.100.343
3.2.2 Other Forward Buy/Sell Transaction		-	3.176	3.176	2.505.710	2.592.452	5.098.162
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		57.982.797	12.558.167	70.540.964	49.071.158	9.620.414	58.691.572
IV. ITEMS HELD IN CUSTODY		4.462.183	4.005.758	8.467.941	4.288.838	3.663.765	7.952.603
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		3.320.455	-	3.320.455	3.456.809	-	3.456.809
4.3 Checks Received for Collection		981.215	190.004	1.171.219	763.292	105.777	869.069
4.4 Commercial Notes Received for Collection		160.238	31.688	191.926	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	792.040	792.315	2.607	611.077	613.684
4.8 Custodians		-	2.992.026	2.992.026	-	2.899.859	2.899.859
V. PLEDGES RECEIVED		53.520.614	8.552.409	62.073.023	44.782.320	5.956.649	50.738.969
5.1 Marketable Securities		3.780.328	61.344	3.841.672	4.625.008	81.855	4.706.863
5.2 Guarantee Notes		2.237.895	262.508	2.500.403	1.730.425	202.551	1.932.976
5.3 Commodity		2.628.764	1.131.258	3.760.022	2.190.421	803.351	2.993.772
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		36.129.453	5.741.658	41.871.111	30.944.489	3.734.417	34.678.906
5.6 Other Pledged Items		8.744.174	1.355.641	10.099.815	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)		66.447.122	25.838.280	92.285.402	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.

UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR SIX MONTH PERIOD ENDED 30 JUNE 2021

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS					
INCOME / EXPENSE ITEMS	Note (IV)	Current Period	Prior Period	Current Period	Prior Period
		01/01-30/06/2021	01/01-30/06/2020	3 Months 01/04-30/06/2021	3 Months 01/04-30/06/2020
I. PROFIT SHARE INCOME	(1)	2.683.261	1.945.200	1.403.309	1.043.304
1.1 Profit Share on Loans		2.049.969	1.467.629	1.085.060	753.708
1.2 Profit Share on Reserve Deposits		68.654	6.927	41.454	2.927
1.3 Profit Share on Banks		1.198	-	693	-
1.4 Profit Share on Money Market Placements		-	-	-	-
1.5 Profit Share on Marketable Securities Portfolio		329.081	280.470	158.979	194.271
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		7.199	36.917	4.415	26.342
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		294.245	243.553	140.242	167.929
1.5.3 Financial Assets Measured at Amortised Cost		27.637	-	14.322	-
1.6 Financial Lease Income		221.071	182.515	113.601	88.259
1.7 Other Profit Share Income		13.288	7.659	3.522	4.139
II. PROFIT SHARE EXPENSE	(2)	2.207.315	881.820	1.169.334	457.725
2.1 Profit Share Expense on Participation Accounts		1.516.597	609.078	786.386	320.306
2.2 Profit Share Expense on Funds Borrowed		421.323	247.234	224.737	119.124
2.3 Profit Share Expense on Money Market Borrowings		254.360	13.865	150.014	12.398
2.4 Expense on Securities Issued		-	-	-	-
2.5 Lease Profit Share Expense		13.767	11.635	7.634	5.889
2.6 Other Profit Share Expenses		1.268	8	563	8
III. NET PROFIT SHARE INCOME/EXPENSE (I - II)		475.946	1.063.380	233.975	585.579
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		64.494	25.451	33.628	8.515
4.1 Fees and Commissions Received		98.859	73.483	53.121	37.251
4.1.1 Non-cash Loans		71.334	53.704	35.215	26.347
4.1.2 Other		27.525	19.779	17.906	10.904
4.2 Fees and commissions paid		34.365	48.032	19.493	28.736
4.2.1 Non-cash Loans		-	-	-	-
4.2.2 Other		34.365	48.032	19.493	28.736
V. DIVIDEND INCOME	(3)	-	104	-	104
VI. NET TRADING INCOME (Net)	(4)	168.087	36.135	78.832	6.909
6.1 Capital Market Transaction Gains / Losses		1.067	75.882	2.809	36.814
6.2 Gains/ Losses From Derivative Financial Instruments		(34.792)	6.308	5.280	(18.550)
6.3 Foreign Exchange Gains / Losses		201.812	(46.055)	70.743	(11.355)
VII. OTHER OPERATING INCOME	(5)	397.818	115.104	170.828	43.580
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		1.106.345	1.240.174	517.263	644.687
IX. EXPECTED CREDIT LOSSES (-)	(6)	544.020	641.840	271.220	330.092
X. OTHER PROVISIONS (-)		7.678	101.718	(13.816)	85.702
XI. PERSONNEL EXPENSES (-)		149.131	117.188	76.565	63.212
XII. OTHER OPERATING EXPENSES (-)	(7)	171.111	147.090	101.656	79.382
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		234.405	232.338	81.638	86.299
XIV. INCOME RESULTED FROM MERGERS		-	-	-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATION(XIII+...+XV)	(8)	234.405	232.338	81.638	86.299
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(47.055)	(93.956)	(19.040)	(61.484)
18.1 Current Tax Provision		(46.946)	(86.297)	(31.696)	(54.017)
18.2 Expense Effect of Deferred Tax (+)		(63.261)	(26.162)	(41.150)	(20.424)
18.3 Income Effect of Deferred Tax (-)		63.152	18.503	53.806	12.957
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES(XVII±XVIII)	(10)	187.350	138.382	62.598	24.815
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 (XIX-XX)		-	-	-	-
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)	187.350	138.382	62.598	24.815
Earnings per share income/loss (Full TL)		0,1071	0,0791	0,0357	0,0142

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

ZİRAAT KATILIM BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2021**

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

ZİRAAT KATILIM BANKASI A.Ş UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	Current Period 01/01-30/06/2021	Prior Period 01/01-30/06/2020
I. CURRENT PERIOD PROFIT/LOSS	187.350	138.382
II. OTHER COMPREHENSIVE INCOME	(27.361)	9.252
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	(27.361)	9.252
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(36.481)	11.832
2.2.3 Gains/losses from Cash Flow Hedges	-	-
2.2.4 Gains/Losses on Hedges of Net Investments in Foreign Operations	-	-
2.2.5 Other Income/Expense Items to be Recycled to Profit or Loss	-	-
2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss	9.120	(2.580)
III. TOTAL COMPREHENSIVE INCOME (I+II)	159.989	147.634

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR SIX MONTH PERIOD ENDED
30 JUNE 2021

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in Capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Accumulated Other Comprehensive Income or Expense Not Reclassified through Profit or Loss			Accumulated Other Comprehensive Income or Expense Reclassified through Profit or Loss			Profit Reserves	Past Profit / (Loss)	Period Net Profit or Loss	Total Equity
					1	2	3	4	5	6				
PRIOR PERIOD														
30 JUNE 2020														
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	544.963	-	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
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	9.252	-	-	-	138.382	147.634
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)	-	-	66.323	-	555.646	544.963	138.382	3.314.462
CURRENT PERIOD														
30 JUNE 2021														
I. Prior Period End Balance	1.750.000	-	-	261.513	-	(7.068)	-	-	(9.343)	-	1.098.041	641.130	-	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
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	(27.361)	-	-	-	187.350	159.989
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	-	-	-	-	-	-	-	-	-	-	638.562	(638.562)	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	2.568	(2.568)	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(7.068)	-	-	(36.704)	-	1.739.171	641.130	187.350	3.894.262

- 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.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF CASH FLOWS 30 JUNE 2021

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS			
		Current Period 01/01/2021 - 30/06/2021	Prior Period 01/01/2020 - 30/06/2020
A.	CASH FLOWS FROM BANKING OPERATIONS		
1.1	Operating profit before changes in operating assets and liabilities)	151.954	653.285
1.1.1	Profit Share Income Received	2.329.209	2.673.015
1.1.2	Profit Share Expense Paid	(2.152.383)	(1.059.232)
1.1.3	Dividend Received	-	104
1.1.4	Fees and Commissions Received	107.685	21.757
1.1.5	Other Income	568.369	151.238
1.1.6	Collections from Previously Written-off Loans	81.032	39.038
1.1.7	Payments to Personnel and Service Suppliers	(148.799)	(117.188)
1.1.8	Taxes Paid	(48.269)	(39.098)
1.1.9	Others ^(*)	(584.890)	(1.016.349)
1.2	Changes in Operating Assets and Liabilities	964.709	447.566
1.2.1	Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss	(94.157)	(806.709)
1.2.2	Net (Increase) / Decrease in Due From Banks And Other Financial Institutions	(425.538)	482.720
1.2.3	Net (Increase) / Decrease in Loans	(4.377.260)	(7.569.467)
1.2.4	Net (Increase) / Decrease in Other Assets	(1.463.944)	(30.897)
1.2.5	Net Increase / (Decrease) in Bank Funds	875.245	2.249.169
1.2.6	Net Increase / (Decrease) in Other Funds	4.448.517	5.290.477
1.2.7	Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss	(19.440)	815
1.2.8	Net Increase / (Decrease) in Funds Borrowed	(678.772)	(668.073)
1.2.9	Net Increase / (Decrease) in Payables	-	-
1.2.10	Net Increase / (Decrease) in Other Liabilities ^(*)	2.700.058	1.499.531
I.	Net Cash Provided from Banking Operations	1.116.663	1.100.851
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
II.	Net Cash Provided from Investing Activities	(1.328.971)	(2.096.862)
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	(79.900)	(40.842)
2.4	Disposals of Tangible Assets	-	-
2.5	Purchase of Financial Assets at Fair Value Through Other Comprehensive Income	(1.117.198)	(1.951.168)
2.6	Sale of Financial Assets at Fair Value Through Other Comprehensive Income	-	-
2.7	Purchase of Financial Assets Measured at Amortized Cost	(124.408)	(98.396)
2.8	Sale of Financial Assets Measured at Amortized Cost	-	-
2.9	Other	(7.465)	(6.456)
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
III.	Net Cash Provided from Financing Activities	(316.962)	1.633.732
3.1	Cash Obtained from Funds Borrowed And Securities Issued	5.593.051	5.639.929
3.2	Cash Used For Repayment of Funds Borrowed And Securities Issued	(6.142.000)	(4.550.000)
3.3	Issued Equity Instruments	243.845	565.425
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	(11.858)	(21.622)
3.6	Other	-	-
IV.	Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents	(110.088)	(29.347)
V.	Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)	(639.358)	608.374
VI.	Cash And Cash Equivalents At The Beginning Of The Period	4.686.157	1.063.929
VII.	Cash And Cash Equivalents At The End Of The Period	4.046.799	1.672.303

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 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 unconsolidated financial statements 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 unconsolidated 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 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 Bank's financial statements are regularly monitored by the risk monitoring units and the 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 June 30, 2021, the 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 30 June 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 unconsolidated financial statements of the Bank include loans borrowed indexed to benchmark interest rates, and the related reform is not expected to have a significant impact.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)

a. 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in these unconsolidated financial statements. Accordingly, these unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

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

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

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

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

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES

Based on the TAS 27 “Turkish Accounting Standard for Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş. was established as a subsidiary. On 19 July 2017, the ZKB Varlık Kiralama A.Ş. was established with a capital of TL 50, which was fully paid by the Bank.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

The 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

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

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 2021**

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets at fair value through other comprehensive income

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

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

Equity investments

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

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

c. Financial assets measured at amortized cost:

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

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

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”.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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 Bank. 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. Bank's loans are recognized under "Measured at Amortized Cost" account.

All loans of the Bank, including its profit-loss partnership (müşareke) investments, are followed in the "Measured by Amortized Cost" account as of 30 June 2021. 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 new implementation of "Interest-Free Finance Accounting Standard 3: Mudarebe Financing" or "Interest-Free Finance Accounting Standard 4: Müşareke 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 Bank sets aside the expected loss provision for its loans and receivables by taking into consideration the "Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside" (Regulation on Provisions) published in the Official Gazette dated 22 June 2016 and numbered 29750. In this context, the Bank 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 September 2021 with its decision dated 17 June 2021 and numbered 9624. The practices of our bank regarding classification and measurement are carried out in accordance with BRSA decisions.

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)

Impairment

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

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

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

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

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

Provision for 12 month expected credit loss (Stage 1)

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

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

Significant increase in credit risk (Stage 2)

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

The main criteria taken into 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 September 2021, it is applied as 90 days instead of 30 days), and the Bank's internal early warning system note.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 September 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 Bank uses 3 scenarios for forward-looking expectations: base, bad and good. All 3 scenarios have predetermined weights. The Bank 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 30 June 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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

As of the balance sheet date, there are no securities lending transactions. Central Bank of the Republic of Turkey (“CBRT”) made some changes on orders for open market transactions (“OMT”) and prepared an additional frame contract for participation banks in order to present rent certificates to open market operations of CBRT in accordance with the principles of participation banks. According to this agreement; a new type of transaction was formed which enables participation banks to resell or repurchase rent certificates on their portfolio to CBRT when they are in need of funding or in attempt to evaluate the excess liquidity. The Bank performs purchase tenders which are held by CBRT of which maturities are weekly; in return for rent certificates that are reported as assets in balance sheet in order to raise funds. As of 30 June 2021, there are no securities lending transactions (31 December 2020: None).

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

The assets acquired by the 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 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 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 Bank does not have any discontinued operations.

As of 30 June 2021, the Bank’s held for sale tangible assets is TL 83.381 (31 December 2020: TL 75.240).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

As of the balance sheet date, the 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.

The 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

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. Operational lease improvement costs (leasehold improvements) are depreciated over their estimated economic useful lives in equal amounts. The estimated economic useful lives cannot exceed the leasing period.

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

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

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

Right of use;

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

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

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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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.

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

The 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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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 Bank’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 Bank 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 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 30 June 2021, the Bank’s employment termination benefit is TL 23.128 (31 December 2020: TL 18.984).

Communiqué on “Turkish Accounting Standard (“TAS19”) about Benefits for Employee (No:9)” published in Official Gazette by Public Oversight Accounting and Auditing Standards Authority (“POA”) on 12 March 2013 numbered 28585, was entered into force for the account periods starting after 31 December 2012 on accounting treatment of actuarial profit and loss resulting from changes in actuarial assumptions or differences between actual and actuarial assumptions. Actuarial loss amounting to TL 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 30 June 2021 unused vacation liability of the Bank is TL 10.750 (31 December 2020: TL 7.250).

The Bank is not employing its personnel by means of limited-period contracts.

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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

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.

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 30 June 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

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

Dividends paid to non-resident corporations, which have a place of business or permanent attorney in Turkey or to resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case. Corporations are required to pay advance corporate tax quarterly at the current rate on their corporate income. Advance tax is declared and paid by the 17th day of the second month following each calendar quarter end. Advance tax paid by corporations for the current period is credited against the annual corporation tax calculated on the annual corporate income in the following year. Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government.

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

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

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

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

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

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

b. Deferred tax

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax" and additional regulation introduced by Law No. 7316 of 22 April 2021 mentioned in the "Current Tax" section, the Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

b. Deferred tax (Continued)

In accordance with the relevant Law, the Corporate Tax rate has been increased to 25% for the taxation period starting from January 1, 2021, starting from the declarations that must be submitted as of July 1, 2021, and this rate will be applied as 23% for the period of 2022. As of 31 December 2020, deferred tax is calculated over 20%.

Deferred tax 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 unconsolidated 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 Bank 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 Bank as of balance sheet date.

XX. EXPLANATIONS ON ACCEPTANCES

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

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EXPLANATIONS ON ACCOUNTING POLICIES (Continued)

XXII. EXPLANATIONS ON RELATED PARTIES

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

XXIII. EXPLANATIONS ON CASH AND CASH EQUIVALENTS

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

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

XXIV. EXPLANATION ON SEGMENT REPORTING

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

XXV. EXPLANATIONS ON OTHER MATTERS

None.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
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SECTION FOUR

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE
BANK**

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY

Shareholders' equity and capital adequacy ratio were calculated within the framework of “Regulation on Banks' Equity” and “Regulation on Measurement and Evaluation of Capital Adequacy of Banks” and in addition to the regulations of BRSA numbered 9624 dated 17 June 2021. Based on recent regulation changes:

- In calculating the amount subject to credit risk; the practice of using the simple arithmetic average of the Central Bank's foreign exchange buying rates of 252 business days before the calculation date when calculating the valued amounts in foreign currency continues and has been extended until September 30, 2021.
- In case the net valuation differences of the securities held by the banks in the "Financial Assets at Fair Value through Other Comprehensive Income" portfolio are negative, the practice of not taking these differences into account in the equity amount has been terminated as of 30 June 2021.

As of 30 June 2021 current period capital amount of the Bank is TL 5.442.862 (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 30.06.2021	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	318.473	245.102
Profit	187.350	641.130
Current Period Profit	187.350	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	3.994.994	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	100.732	-
Improvement costs for operating leasing	22.553	21.363
Goodwill (net of related tax liability)		-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	177.917	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	-	-
Communique 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	-	-

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 30.06.2021	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 I Capital	301.202	182.620
Total Common Equity Tier I Capital	3.693.792	3.551.653
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA ^(***)	801.012	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 Unconsolidated 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 Unconsolidated 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 deduct Components		
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier I capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks’ Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital		
Total Additional Tier I Capital	801.012	706.370
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	4.494.804	4.258.023
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA ^(***)	800.000	300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	149.704	149.669
Tier II Capital Before Deductions	949.704	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	949.704	449.669
Total Capital (The sum of Tier I Capital and Tier II Capital)	5.444.508	4.707.692

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

	Current Period 30.06.2021	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 (-)	2.160	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 ^(*)	5.442.348	4.704.364
Total risk weighted amounts	39.242.649	31.904.109
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	9,41	11,13
Tier I Capital Adequacy Ratio	11,46	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	4,91	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 unconsolidated 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 unconsolidated 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)	149.704	149.669
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	149.704	149.669
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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. There is no option to convert into stock. TC Ziraat Bankası A.Ş. contract was signed on April 15, 2021, and this loan was actually used on April 16, 2021 and entered the Bank accounts. The maturity of the loan is 10 (ten) years and the profit share rate is 18,00%. There is no option to convert into stock.

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

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

Issuer	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated / consolidated	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	29.03.2019
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	T.C. Ziraat Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated / consolidated	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 500 Million
Par value of instrument	TL 500 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	16.04.2021
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
Coupons / dividends⁽⁹⁾	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	18%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	In compliance with Article number 8
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

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

Issuer	Türkiye Varlık Fonu Yönetimi A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated / consolidated	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 801 Million
Par value of instrument	TL 1.026 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	24.04.2019
Perpetual or dated	Undated
Original maturity date	24.04.2019
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 unconsolidated 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 noncompliances with article number 7 and 8 of “Own fund regulation”	In compliance with Article number 7

(*) Profit share for participation banks.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 30.06.2021	Prior Period 31.12.2020
Equity value of balance sheet	3.894.262	3.734.273
Cost of development of operating lease	(22.553)	(21.363)
Goodwill and other intangible assets and related deferred tax liability	(177.917)	(161.257)
Debt instruments and premiums approved by BRSA	800.000	300.000
Tier II Capital(Provisions)	149.704	149.669
Debt instruments and premiums approved by BRSA - subordinated loans	801.012	706.370
Other values deducted from equity	(2.160)	(3.328)
Amount taken into consideration in the calculation of legal equity	5.442.348	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 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 Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, “Value at Risk” (“VAR”) is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also followed which was approved by Board of Directors.

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

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

None.

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

II. EXPLANATIONS ON CURRENCY RISK (Continued)

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
30.06.2021	8,6613	10,2630	6,4704	1,3738	1,0069	9,3489	6,9196	1,0010	11,8997	2,2921	7,7250
29.06.2021	8,7033	10,3553	6,5078	1,3863	1,0159	9,4330	6,9560	1,0116	11,9781	2,3032	7,7960
28.06.2021	8,6673	10,3307	6,5283	1,3831	1,0125	9,4083	6,9536	1,0107	11,9744	2,2936	7,7560
25.06.2021	8,7113	10,4049	6,5892	1,3929	1,0234	9,4870	7,0219	1,0225	12,0576	2,3053	7,7850
24.06.2021	8,6753	10,3411	6,5369	1,3842	1,0188	9,4200	6,9611	1,0127	11,9897	2,2960	7,7470
23.06.2021	8,6184	10,2913	6,5052	1,3777	1,0115	9,3776	6,9453	1,0084	11,9753	2,2807	7,6990

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	100 JPY
8,5881	6,5269	11,9765	1,3834	1,0164	8,1881	6,9545	1,0131	11,9765	2,2727	7,7216

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	1.625.652	2.909.932	1.290.620	5.826.204
Banks	675.009	837.684	941.141	2.453.834
Financial assets at fair value through profit and loss ^(****)	-	-	1.221.714	1.221.714
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	154.364	2.029.318	-	2.183.682
Loans ^(*)	8.110.884	8.539.514	-	16.650.398
Par Investments	-	-	-	-
Financial assets measured at amortised cost	903.845	-	-	903.845
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	73	73
Intangible assets (net)	-	-	-	-
Other assets	22.253	4.891	14.872	42.016
Total assets	11.492.007	14.321.339	3.468.420	29.281.766
Liabilities				
Current account and funds collected from Banks via participation accounts	25.686	495	-	26.181
Current and profit sharing accounts FC	8.949.590	14.248.020	3.364.959	26.562.569
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.262.920	84.561	-	1.347.481
Marketable securities issued	-	-	-	-
Miscellaneous debts	227.461	129.317	3.087	359.865
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities ^(****)	1.115.185	88.019	6.706	1.209.910
Total liabilities	11.580.842	14.550.412	3.374.752	29.506.006
Net balance sheet position	(88.835)	(229.073)	93.668	(224.240)
Net off-balance sheet position^(***)	(199.102)	204.315	578	5.791
Financial derivative assets	6.158	206.913	578	213.649
Financial derivative liabilities	205.260	2.598	-	207.858
Net position	(287.937)	(24.758)	94.246	(218.449)
Non-cash loans	6.561.804	5.660.448	136.078	12.358.330
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

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

II. EXPLANATIONS ON CURRENCY RISK (Continued)

- (*) The financial leases, expected credit losses, foreign currency indexed loan with an amounts of TL 141.397 equivalent balance to USD and TL 93.861 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 94% Gold, 2% GBP, and the remaining 4% other currencies. The currencies in the FC column of liabilities section consist of %96 Gold, 1% 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 1.221.714 issued by the Treasury.

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

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

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 2021**

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

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

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

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.

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

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

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

IV. EXPLANATIONS RELATED TO 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	206,05	28.04.2021	120,00	16.06.2021
FC	550,29	08.04.2021	350,80	25.05.2021

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

Current Period 30.06.2021	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	10.715.980	7.820.490	10.715.980	7.820.490
High quality liquid assets	-	-	10.715.980	7.820.490
CASH OUTFLOWS	57.554.295	31.778.897	13.739.055	6.263.068
Real person deposits and retail deposits	19.421.099	12.693.535	1.985.703	1.353.566
Stable deposit	2.717.430	-	135.871	-
Deposit with low stability	16.703.669	12.693.535	1.849.832	1.353.566
Unsecured debts except real person deposits and retail deposits	16.942.956	5.909.491	9.275.730	2.901.355
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	16.942.956	5.909.491	9.275.730	2.901.355
Secured debts	-	-	-	-
Other cash outflows	21.190.240	13.175.872	2.477.622	2.008.147
Derivative liabilities and margin obligations	2.055.185	1.354.472	1.414.750	1.354.472
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	262.857	368.711	119.262	81.041
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	18.872.198	11.452.689	943.610	572.634
TOTAL CASH OUTFLOWS	-	-	13.739.055	6.263.068
CASH INFLOWS	8.094.611	4.939.162	6.635.413	4.560.084
Secured receivables	-	-	-	-
Unsecured claims	6.650.422	4.476.147	5.191.224	4.097.069
Other cash inflows	1.444.189	463.015	1.444.189	463.015
TOTAL CASH INFLOWS	8.094.611	4.939.162	6.635.413	4.560.084
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	10.715.980	7.820.490
TOTAL NET CASH OUTFLOWS	-	-	7.103.642	1.702.984
LIQUIDITY COVERAGE RATIO (%)	-	-	151	459

(*) 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 BANK (Continued)

IV. EXPLANATIONS RELATED TO 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-operational 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	1.991.485	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	783.728	447.217
TOTAL CASH OUTFLOWS	-	-	17.677.933	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 BANK (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
Current Period 30.06.2021								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ^(*)	2.237.466	5.469.426	-	-	-	-	-	7.706.892
Banks ^(**)	1.647.657	813.808	-	-	-	-	-	2.461.465
Financial Assets at Fair Value Through Profit and Loss	-	-	-	640.702	581.012	-	-	1.221.714
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	765.302	728.441	1.220.548	3.732.671	38.190	10.412	6.495.564
Loans Given	-	1.894.179	2.310.328	10.395.402	23.836.601	8.482.292	662.044	47.580.846
Financial Assets Measured at Amortised Cost	-	-	-	-	903.845	-	-	903.845
Other Assets ^(***)	-	-	-	-	-	-	1.003.001	1.003.001
Total Assets	3.885.123	8.942.715	3.038.769	12.256.652	29.054.129	8.520.482	1.675.457	67.373.327
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.219.413	356.077	-	-	-	-	-	4.575.490
Current and Participation Accounts	8.104.661	24.292.143	7.456.285	7.250.284	18.590	-	-	47.121.963
Funds Provided from Other Financial Instruments	-	1.311.836	2.406.208	490.126	373.455	206.711	-	4.788.336
Money Market Borrowings	-	3.314.800	-	-	-	-	-	3.314.800
Issued Marketable Securities	-	-	-	-	1.723.577	-	-	1.723.577
Miscellaneous Debts	-	-	-	-	-	-	483.897	483.897
Other Liabilities ^(***)	-	-	-	-	-	-	5.365.264	5.365.264
Total Liabilities	12.324.074	29.274.856	9.862.493	7.740.410	2.115.622	206.711	5.849.161	67.373.327
Liquidity Gap	(8.438.951)	(20.332.141)	(6.823.724)	4.516.242	26.938.507	8.313.771	(4.173.704)	-
Net Off-Balance Sheet Position		1.867	380	(1.854)				393
Receivables From Derivative Financial Instruments	-	208.454	3.079	2.116	-	-	-	213.649
Financial Derivative Liabilities	-	206.587	2.699	3.970	-	-	-	213.256
Non-Cash Loans	3.131.316	974.984	2.267.444	9.721.636	3.400.930	300.572	-	19.796.882

(*) 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.

(***) Includes subordinated debt instruments.

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
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	-	-	-	-	-	-	800.597	800.597
Total Assets	4.683.300	6.914.147	3.382.270	9.111.151	26.950.670	7.942.234	1.203.224	60.186.996
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	4.554.961	-	6.934	-	-	-	-	4.561.895
Current and Participation Accounts	7.445.284	25.764.602	6.452.479	2.113.970	47.920	-	-	41.824.255
Funds Provided from Other Financial Instruments	-	1.011.848	2.748.151	1.112.478	533.382	38.005	-	5.443.864
Money Market Borrowings	-	2.101.073	-	-	-	-	-	2.101.073
Issued Marketable Securities(***)	-	-	-	-	1.080.526	-	-	1.080.526
Miscellaneous debts	-	-	-	-	-	-	322.946	322.946
Other Liabilities	-	-	-	-	-	-	4.852.437	4.852.437
Total Liabilities	12.000.245	28.877.523	9.207.564	3.226.448	1.661.828	38.005	5.175.383	60.186.996
Liquidity Gap	(7.316.945)	(21.963.376)	(5.825.294)	5.884.703	25.288.842	7.904.229	(3.972.159)	-
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.

(***) Includes subordinated debt instruments.

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

V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 June 2021, the leverage ratio of the Bank 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 ^(*) 30.06.2021	Prior Period ^(*) 31.12.2020
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	66.144.111	58.662.672
(Assets deducted from main capital)	(287.342)	(176.435)
Total risk amount of the balance sheet assets	65.856.769	58.486.237
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	4.779	22.027
Potential credit risk amount of derivative financial instruments and credit derivatives	12.502	21.256
Total risk amount of derivative financial instruments and credit derivative	17.281	43.283
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	259.990	145.965
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	259.990	145.965
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	20.576.184	16.834.815
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	20.576.184	16.834.815
Equity and total risk		
Main capital	4.477.144	4.267.519
Total risk amount	86.710.224	75.501.605
Leverage ratio		
Leverage ratio %	5,17	5,65

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

VI. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

VII. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 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 our 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 bank and is aimed to respond to customers’ financial needs in the most appropriate way and

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

to support their financial success. In this context, business practices and our working model support prudent risk management practices.

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario 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 our bank. The Bank is developing a system for risk measurement methods. In the present case, standard methods are generally used in the calculations and preparations are made for advanced methods with the growth of our bank. All risk processes are closely monitored.

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

a) Overview of Risk-weighted Assets

		Risk Weighted Amount		Minimum capital Requirement
		Current Period 30.06.2021	Prior Period 31.12.2020	Current Period 30.06.2021
1	Credit risk (excluding counterparty credit risk) (CCR)	36.033.898	29.650.711	2.882.712
2	Standardized approach (SA)	36.033.898	29.650.711	2.882.712
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	14.681	131.015	1.174
5	Standardized approach for counterparty credit risk (SA-CCR)	14.681	131.015	1.174
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	205.244	290.659	16.420
17	Standardized approach (SA)	205.244	290.659	16.420
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)	39.242.649	31.904.109	3.139.412

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2. Explanations on Credit Risk

2.1) Credit Risk Disclosures

a) Credit quality of assets

Current Period 30.06.2021		The amount valued in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/Amortisation and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans (*)	1.734.782	47.194.943	1.348.879	47.580.846
2	Debt securities	-	8.733.398	122.687	8.610.711
3	Off-balance sheet exposures	-	20.458.755	24.700	20.434.055
4	Total	1.734.782	76.387.096	1.496.266	76.625.612

Prior Period 30.06.2021		The amount valued in accordance with TAS in the financial statements prepared according to legal consolidation		Allowances/Amortisation and impairments	Net values
		Defaulted	Non-defaulted		
1	Loans (*)	1.181.058	42.178.578	1.153.226	42.206.410
2	Debt securities	-	7.058.197	162.568	6.895.629
3	Off-balance sheet exposures	-	16.577.367	26.708	16.550.659
4	Total	1.181.058	65.814.142	1.342.502	65.652.698

(*) Financial lease amounting to TL 6.329.048 (31 December 2020: 5. is included in the table.

b) Changes on defaulted loans and debt securities

Current Period 30.06.2021		
1	Defaulted loans and debt securities at end of the previous reporting period	1.181.058
2	Loans and debt securities that have defaulted since the last reporting period	553.724
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes *	-
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.734.782

Prior Period 30.06.2021		
1	Defaulted loans and debt securities at end of the previous reporting period	947.102
2	Loans and debt securities that have defaulted since the last reporting period	132.910
3	Returned to non-defaulted status	-
4	Amounts written off	-
5	Other changes *	101.046
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5) definitions	1.181.058

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

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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)

2.1) Credit Risk Disclosures

c.) Aging analysis for overdue receivables:

Current Period 30.06.2021	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables ⁽¹⁾				
Corporate /Entrepreneurial Loans	140.564	34.064	502.928	677.556
Consumer Loans	42.019	7.818	8.171	58.008
Toplam	182.583	41.882	511.099	735.564

(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 842.691 TL.

Prior Period 31.12.2020	1-30 Day	31-60 Day	61-90 Day	Total
Loans and Receivables ⁽¹⁾	-	-	-	-
Corporate/ Entrepreneurial Loans	121.578	38.696	644.845	805.119
Consumer 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 TL.

2.2) Credit risk mitigation

a.) Credit risk mitigation techniques – Overview

Current Period 30.06.2021	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	40.700.430	5.068.734	4.072.549	3.969.707	3.394.448	-	-
Debt Securities *	8.384.190	-	-	-	-	-	-
Total	49.084.620	5.068.734	4.072.549	3.969.707	3.394.448	-	-
Of which defaulted *	1.701.737	-	-	-	-	-	-

(*) Based on the BRSA's article on "Measures to Facilitate Financing Conditions in the Fight Against Covid-19" dated 17.06.2021, the simple arithmetic average of the Central Bank's foreign exchange buying rates of the last 252 business days before the calculation date was used in the calculation of the Credit Risk Amount. Therefore, the figures in the Credit Risk Mitigation Techniques table show a foreign exchange difference of 1,811,682 TL in "Loans", 226,521 TL in "Borrowing Instruments" and 33,045 TL in the "Defaulted" category.

Current Period 31.12.2020	Unsecured receivables: Amount assessed pursuant to TAS	Receivables secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Receivables protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans *	36.296.201	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Debt Securities *	6.895.625	-	-	-	-	-	-
Total	43.191.830	5.910.209	4.717.707	4.924.960	4.189.451	-	-
Of which defaulted *	1.152.871	-	-	-	-	-	-

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

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

2.3) Credit risk if standard approach is used

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

	Current Period 30.06.2021	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
Risk Classes							
1	Exposures to sovereigns and their central banks	11.543.202	-	14.911.513	17.429	-	0%
2	Exposures to regional and local governments	-	-	26.135	5.488	15.812	50%
3	Exposures to administrative bodies and non-commercial entities	120.992	15.897	120.991	7.888	126.105	98%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	2.564.993	189.365	2.564.994	172.539	599.062	22%
7	Exposures to corporates	20.542.937	15.571.613	19.028.343	10.659.797	28.627.191	96%
8	Retail exposures	5.790.187	2.823.941	3.910.332	1.356.358	3.829.814	73%
9	Exposures secured by residential property	2.562.347	29.876	2.562.347	13.953	901.705	35%
10	Exposures secured by commercial property	1.803.292	473.194	1.803.292	273.325	1.038.309	50%
11	Past-due items	558.497	-	558.497	-	465.587	83%
12	Exposures in high-risk categories	28.361	-	28.361	-	42.541	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	794.615	-	794.615	-	387.772	49%
17	Equity share investments	-	-	-	-	-	0%
18	Total	46.309.423	19.103.886	46.309.420	12.506.777	36.033.898	61%
	Current Period 31.12.2020	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA amount	RWA density amount
Risk Classes							
1	Exposures to sovereigns and their central banks	8.707.427	-	12.870.880	23.363	-	0%
2	Exposures to regional and local governments	-	-	25.999	5.815	15.907	50%
3	Exposures to administrative bodies and non-commercial entities	264.828	5.784	264.828	2.858	266.144	99%
4	Exposures to multilateral development banks	-	-	-	-	-	0%
5	Exposures to international organizations	-	-	-	-	-	0%
6	Exposures to banks and brokerage houses	5.024.106	62.368	5.024.106	44.399	1.025.480	20%
7	Exposures to corporates	16.970.986	12.490.186	15.275.823	8.613.143	23.153.759	97%
8	Retail exposures	5.076.333	2.581.421	2.582.044	1.244.087	2.746.074	72%
9	Exposures secured by residential property	2.624.630	47.664	2.624.630	25.720	927.622	35%
10	Exposures secured by commercial property	1.481.948	402.902	1.481.948	237.202	859.575	50%
11	Past-due items	258.567	-	258.567	-	174.139	67%
12	Exposures in high-risk categories	104.158	-	104.158	-	156.237	150%
13	Exposures in the form of bonds secured by mortgages	-	-	-	-	-	0%
14	Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	0%
15	Exposures in the form of collective investment undertakings	-	-	-	-	-	0%
16	Other exposures	584.843	-	584.843	-	325.774	56%
17	Equity share investments	-	-	-	-	-	0%
18	Total	41.097.826	15.590.325	41.097.826	10.196.587	29.650.711	58%

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VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

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

Current Period Risk Classes/ Risk Weight	0%	10%	20%	35% Secured by Property Mortgage	50% Secured by Property Mortgage	50% ⁽¹⁾	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	14.928.942	-	-	-	-	-	-	-	-	-	-	14.928.942
Exposures to regional and local government	-	-	-	-	-	31.623	-	-	-	-	-	31.623
Exposures to administrative bodies and non-commercial entities	2.774	-	-	-	-	-	-	126.105	-	-	-	128.879
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	2.574.871	-	-	157.147	-	5.515	-	-	-	2.737.533
Exposures to corporates	362.384	-	434.891	-	-	701.304	-	28.189.561	-	-	-	29.688.140
Retail exposures	87.741	-	98.904	-	-	-	5.080.045	-	-	-	-	5.266.690
Exposures secured by residential property	-	-	-	2.576.300	-	-	-	-	-	-	-	2.576.300
Exposures secured by commercial property	-	-	-	-	2.076.617	-	-	-	-	-	-	2.076.617
Past-due items	296	-	47	-	-	185.152	-	373.002	-	-	-	558.497
Exposures in high- risk categories	-	-	-	-	-	-	-	-	28.361	-	-	28.361
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	406.844	-	-	-	-	-	-	387.771	-	-	-	794.615
Total	15.788.981	-	3.108.713	2.576.300	2.076.617	1.075.226	5.080.045	29.081.954	28.361	-	-	58.816.197

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VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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

Current Period Risk Classes/ Risk Weight	0%	10%	20%	35% Secured by Property Mortgage	50% Secured by Property Mortgage	50% ^(*)	75%	100%	150%	200%	Other	Total risk amount (post-CCF and CRM)
Exposures to sovereigns and their central banks	12.894.243	-	-	-	-	-	-	-	-	-	-	12.894.243
Exposures to regional and local government	-	-	-	-	-	31.814	-	-	-	-	-	31.814
Exposures to administrative bodies and non-commercial entities	1.542	-	-	-	-	-	-	266.144	-	-	-	267.686
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	5.029.242	-	39.263	-	-	-	-	-	-	5.068.505
Exposures to corporates	152.069	-	395.853	-	532.912	-	22.808.132	-	-	-	-	23.888.966
Retail exposures	87.286	-	105.564	-	-	-	3.633.282	-	-	-	-	3.826.132
Exposures secured by residential property	-	-	-	2.650.350	-	-	-	-	-	-	-	2.650.350
Exposures secured by commercial property	-	-	-	-	1.719.150	-	-	-	-	-	-	1.719.150
Past-due items	112	-	72	-	-	168.517	-	89.866	-	-	-	258.567
Exposures in high-risk categories	-	-	-	-	-	-	-	104.158	-	-	-	104.158
Exposures in the form of bonds secured by mortgages	-	-	-	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-	-	-	-
Other exposures	259.071	-	-	-	-	-	-	325.772	-	-	-	584.843
Total	13.394.323	-	5.530.731	2.650.350	1.719.150	772.506	3.633.282	23.489.914	104.158	-	-	51.294.414

VIII. COUNTER PARTY CREDIT RISK EXPLANATIONS

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

	Current Period 30.06.2021	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) ^(*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	5.949	17.121	-	1,4	23.070	5.668
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	3.491.885	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)	-	-	-	-	-	-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit	-	-	-	-	-	-
6	Total						5.668

(*) Effective expected positive exposure

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(Continued)

VIII. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

	Current Period 31.12.2020	Replacement cost	Potential future exposure	EEPE (Effective Expected Positive Exposure) (*)	Alpha used for computing regulatory EAD	Exposure at default post CRM	RWA
1	Standardised approach - CCR (for derivatives)	215.023	44.736		1,4	259.764	56.140
2	Internal Model Method (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)			-	-	-	-
3	Simple Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)					2.235.531	-
4	Comprehensive Approach for credit risk mitigation (for derivatives, Repo Transactions, Marketable Securities or Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit)						-
5	Commodity lending or borrowing transactions, transactions with a long settlement time, Marketable Security transactions with credit						-
6	Total						56.140

b.) Capital requirement for loan valuation adjustment

	Current Period 30.06.2021	Exposure at default post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	-	-
1	(i) Value at Risk (VaR) component (including the 3×multiplier)		-
2	(ii) Stressed VaR component (including the 3×multiplier)		-
3	All portfolios subject to the Standardised CVA capital charge	23.070	9.013
4	Total subject to the CVA capital charge	23.070	9.013

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

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VIII. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

c) Standardised approach - CCR exposures by risk class and risk weight

Risk weight /Regulatory portfolio (Current Period)	0%	10%	20%	50%	%75%	100%	150%	Other	Total credit exposure (*)
Exposures to sovereigns and their central banks	3.491.885	-	15.608	-	-	-	-	-	3.122
Exposures to regional and local governments	-	-	-	-	-	-	-	-	-
Exposures to administrative bodies and non-commercial entities	-	-	-	-	-	-	-	-	-
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-
Exposures to banks and brokerage houses	-	-	4.118	3.266	-	-	-	-	2.457
Exposures to corporates	-	-	-	-	-	54	-	-	54
Retail exposures	-	-	-	-	-	-	-	-	-
Exposures secured by residential property	-	-	-	-	-	-	-	-	-
Past-due items	-	-	-	-	-	-	-	-	-
Exposures in high-risk categories	-	-	-	-	-	-	23	-	35
Mortgage securities	-	-	-	-	-	-	-	-	-
Securitization positions	-	-	-	-	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-	-	-	-	-
Exposures in the form of collective investment undertakings	-	-	-	-	-	-	-	-	-
Equity share investments	-	-	-	-	-	-	-	-	-
Other exposures	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-
Total (*)	3.491.885	-	19.726	3.266	-	54	23	-	5.668

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

(**) Other assets: Includes amounts not included in counterparty credit risk reported in template KKR8

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

VIII. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

c.) Capital requirement for loan valuation adjustment (Continued)

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

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

^(**) Other assets: Includes amounts not included in counterparty credit risk reported in template KKR8.

d.) Collaterals for CCR

Current Period 30.06.2021	Collateral for derivative transactions				Collateral for other transactions	
	Collateral received		Collateral given		Collateral received	Collateral given
	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency	-	-	-	-	3.301.011	-
Cash-foreign currency	-	-	-	-	-	-
Domestic sovereign debts	-	-	-	-	-	-
Other sovereign debts	-	-	-	-	-	-
Government agency debts	-	-	-	-	-	-
Corporate Debts	-	-	-	-	-	-
Equity Securiities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	3.491.885
Total					3.301.011	3.491.885

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

VIII. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

d.) Collaterals for CCR adjustment (Continued)

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

e) Credit Derivatives

None.

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

None.

2. Explanations on Securitization Disclosure

None. (31 December 2020 None).

3. Explanations on Market Risk

a) Standard Approach

		Current Period 30.06.2021	Prior Period 31.12.2020
		RWA	RWA
Outright products			
1	Profit share rate risk (general and specific)	875	118.100
2	Equity risk (general and specific)	-	-
3	Foreign exchange risk	204.369	172.559
4	Commodity risk	-	-
Options			
5	Simplified approach	-	-
6	Delta-plus method	-	-
7	Scenario approach	-	-
8	Securitisation	-	-
9	Total	205.244	290.659

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

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VIII. COUNTER PARTY CREDIT RISK EXPLANATIONS (Continued)

4. Explanations on Market Risk

b) Standard Approach

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

IX. 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 30 June 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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X. EXPLANATIONS ON THE OPERATING SEGMENTS

The Bank's operating segments are determined in accordance with the organizational and internal reporting structure and the provisions of TFRS 8 “Operating Segments”.

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

Table for Segment Reporting:

Current Period 1 January - 30 June 2021	Private Banking	Corporate / Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undis- tributed	Total
OPERATING INCOME / EXPENSES					
Profit Shares Income	255.221	1.794.748	398.933	234.359	2.683.261
Profit Shares from Loans	255.221	1.794.748	-	-	2.049.969
Profit Shares from Banks	-	-	1.198	-	1.198
Profit Shares from Securities	-	-	329.081	-	329.081
Other Profit Shares	-	-	68.654	234.359	303.013
Profit Shares Expense	(488.728)	(1.015.534)	(688.018)	(15.035)	(2.207.315)
Profit Shares Expense on Participation Funds	(488.728)	(1.015.534)	(12.335)	-	(1.516.597)
Profit Shares Expense on Funds Borrowed	-	-	(421.323)	-	(421.323)
Profit Shares Expense on Money Market Transactions	-	-	(254.360)	-	(254.360)
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	(15.035)	(15.035)
Net Profit Shares Income/Expense	(233.507)	779.214	(289.085)	219.324	475.946
Net Fees and Commission Income/Expense	11.014	71.334	-	(17.854)	64.494
Fees and Commissions Received	11.014	71.334	-	16.511	98.859
Fees and Commissions Paid	-	-	-	(34.365)	(34.365)
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	168.087	-	168.087
Other Operating Income	-	328	-	397.490	397.818
Provision for Loans or Other Receivables Losses	(51.316)	(441.828)	-	(50.876)	(544.020)
Other Provision expense	-	-	-	(7.678)	(7.678)
Personnel Expenses	-	-	-	(149.131)	(149.131)
Other Operating Expense	-	(4.546)	-	(166.565)	(171.111)
Net Operating Profit/Loss	(222.493)	353.186	(120.998)	224.710	234.405
Tax Provision	-	-	-	(47.055)	(47.055)
Net Profit/Loss	(222.493)	353.186	(120.998)	177.655	187.350
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	1.221.714	-	1.221.714
Banks ^(*)	-	-	2.461.465	-	2.461.465
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	6.495.564	-	6.495.564
Loans ^(*) ^(**)	4.933.158	42.474.461	173.227	-	47.580.846
Financial Assets Measured at Amortised Cost	-	-	903.845	-	903.845
Derivative Financial Assets	-	-	2.759	-	2.759
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets ^(*)	-	-	-	8.707.034	8.707.034
Total Segment Assets	4.933.158	42.474.461	11.258.674	8.707.034	67.373.327
SEGMENT LIABILITIES					
Funds Collected	19.817.023	31.880.430	-	-	51.697.453
Derivative Financial Liabilities	-	-	2.021	-	2.021
Funds Borrowed	-	-	4.788.336	-	4.788.336
Money Market Funds	-	-	3.314.800	-	3.314.800
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	477.261	477.261
Other Liabilities	-	-	-	3.199.194	3.199.194
Shareholders' Equity	-	-	-	3.894.262	3.894.262
Total Segment Liabilities	19.817.023	31.880.430	8.105.157	7.570.717	67.373.327

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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

X. EXPLANATIONS ON THE OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued)

Prior Period 1 January - 30 June 2020	Private Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistrib- uted	Total
OPERATING INCOME / EXPENSES					
Profit Shares Income	145.264	1.322.365	287.397	190.174	1.945.200
Profit Shares from Loans	145.264	1.322.365	-	-	1.467.629
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	280.470	-	280.470
Other Profit Shares	-	-	6.927	190.174	197.101
Profit Shares Expense	(317.246)	(291.832)	(261.099)	(11.643)	(881.820)
Profit Shares Expense on Participation Funds	(317.246)	(291.832)	-	-	(609.078)
Profit Shares Expense on Funds Borrowed	-	-	(247.234)	-	(247.234)
Profit Shares Expense on Money Market Transactions	-	-	(13.865)	-	(13.865)
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	(11.643)	(11.643)
Net Profit Shares Income/Expense	(171.982)	1.030.533	26.298	178.531	1.063.380
Net Fees and Commission Income/Expense	12.750	53.704	-	(41.003)	25.451
Fees and Commissions Received	12.750	53.704	-	7.029	73.483
Fees and Commissions Paid	-	-	-	(48.032)	(48.032)
Dividend Income	-	-	104	-	104
Trading Income/Loss (Net)	-	-	36.135	-	36.135
Other Operating Income	-	167	-	114.937	115.104
Provision for Loans or Other Receivables Losses	(51.724)	(527.971)	-	(62.145)	(641.840)
Other Provision expense	-	-	-	(101.718)	(101.718)
Personnel Expenses	-	-	-	(117.188)	(117.188)
Other Operating Expense	-	(1.263)	-	(145.827)	(147.090)
Net Operating Profit/Loss	(210.956)	555.170	62.537	(174.413)	232.338
Tax Provision	-	-	-	(93.956)	(93.956)
Net Profit/Loss	(210.956)	555.170	62.537	(268.369)	138.382
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	-	-	100	-	100
Other Assets (*)	-	-	-	6.246.506	6.246.506
Total Segment Assets	4.850.077	36.350.940	12.739.473	6.246.506	60.186.996
SEGMENT LIABILITIES					
Funds Collected	18.467.216	27.918.934	-	-	46.386.150
Derivative Financial Liabilities	-	-	19.440	-	19.440
Funds Borrowed	-	-	5.443.864	-	5.443.864
Money Market Funds	-	-	2.101.073	-	2.101.073
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	409.244	409.244
Other Liabilities	-	-	-	2.092.952	2.092.952
Shareholders' Equity	-	-	-	3.734.273	3.734.273
Total Segment Liabilities	18.467.216	27.918.934	7.564.377	6.236.469	60.186.996

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

	Current Period 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Cash in TL / Foreign Currency	46.111	267.718	34.139	185.722
Central Bank of the Republic of Turkey(*)	1.835.199	5.427.435	375.440	4.821.782
Other	-	131.051	-	60.037
Total	1.881.310	5.826.204	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 30 June 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 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Unrestricted Demand Deposit	1.793.199	9	363.240	8
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (*)	42.000	5.427.426	12.200	4.821.774
Total	1.835.199	5.427.435	375.440	4.821.782

(*) TL 846,772 (31 December 2020: TL 904,016) included in foreign currency required reserves in the current period is the foreign currency portion of TL required reserves in other institutions.

2. Information on banks and other financial institutions:

	Current Period 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Banks				
Domestic Banks	7.735	1.397.714	12.394	3.688.774
Foreign Banks	-	1.056.120	-	1.098.600
Foreign Head Office and Branches	-	-	-	-
Total	7.735	2.453.834	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 UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

3. Financial assets at fair value through profit or loss

	Current Period 30.06.2021	Prior Period 31.12.2020
Financial Assets at Fair Value Through Profit / Loss	1.217.120	808.723
Other Dividends and Income Rediscunts	4.594	187.229
Provision for Impairment (-)	-	(15.080)
Total	1.221.714	980.872

4. Financial assets at fair value through profit or loss

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Assets Subject to Repurchase Agreements	2.452.205	2.145.367
Assets Blocked/Given as Collateral	232.066	147.536
Total (*)	2.684.271	2.292.903

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

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Debt Securities	6.607.839	5.282.808
Quoted in Stock Exchange	6.607.839	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 (-)**)	122.687	147.488
Total	6.495.564	5.145.732

(*) The aforementioned amounts consist of TL 2.753 and 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 Eurasia Rating A.Ş.).

(**) It includes the 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 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Forward Transactions	885	1.605	889	-
Swap Transactions	-	-	27.215	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	157	112	140	9
Total	1.042	1.717	28.244	9

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO 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 30.06.2021		Prior Period 31.12.2020	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	812	-	540	-
Corporate Shareholders	812	-	540	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	10.143	-	5.804	-
Total (*)	10.955	-	6.344	-

(*) Includes rediscount amounts.

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

Current Period 30.06.2021	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	38.488.116	592.053	-	916.718
Export Loans	3.775.079	4.775	-	-
Import Loans	64.679	-	-	-
Commercial Loans	27.264.092	569.851	-	916.718
Consumer Loans	4.836.875	10.223	-	-
Credit Cards	11.820	62	-	-
Loans Given to Financial Sector	173.227	-	-	-
Other	2.362.344	7.142	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	799.524	36.324	-	33.160
Total	39.287.640	628.377	-	949.878

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

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

(**) As of 30 June 2021, TL 35.284 (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 30 June 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".

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period 30.06.2021		Prior Period 31.12.2020	
	Standard Loans	Loans Under Close Monitoring	Standard Loans	Loans Under Close Monitoring
Expected Credit Loss of Stage 1 and Stage 2				
12 Month Expected Credit Losses	160.101	-	128.318	-
Significant Increase in Credit Risk	-	116.040	-	236.065

	Current Period 30.06.2021		Prior Period 31.12.2020	
	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
Number of Extensions				
1 or 2 Times Extended	245.713	916.718	193.975	668.893
3 - 4 or 5 Times Extended	-	-	-	-
Over 5 Times Extended	-	-	-	-
Total	245.713	916.718	193.975	668.893

	Current Period 30.06.2021		Prior Period 31.12.2020	
	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
Extension Periods				
0 - 6 Months	67	60.967	-	24.485
6 Months – 12 Months	1.007	2.840	109.355	241.825
1 - 2 Years	111.535	144.581	33.198	153.176
2 - 5 Years	93.388	221.560	1.229	2.369
5 Years and Over	39.716	486.770	50.193	247.038
Total	245.713	916.718	193.975	668.893

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

Current Period 30.06.2021	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	9.451	4.828.706	4.838.157
Housing Loans	6.383	4.497.358	4.503.741
Vehicle Loans	1.981	173.145	175.126
Consumer Loans	1.087	158.203	159.290
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	10.727	5	10.732
With Installment	2.982	2	2.984
Without Installment	7.745	3	7.748
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	169	8.772	8.941
Housing Loans	-	2.658	2.658
Vehicle Loans	-	188	188
Consumer Loans	169	5.926	6.095
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	1.142	8	1.150
With Installment	152	4	156
Without Installment	990	4	994
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	21.489	4.837.491	4.858.980

(*) Profit share rediscount amounting to TL 74.178 is not included in the table.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

Prior Period 31.12.2020	Short-Term	Medium and Long-Term	Total
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	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	36.691	4.785.749	4.822.440

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

d) Information on installment commercial loans and corporate credit cards

Current Period 30.06.2021	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	107.480	691.159	798.639
Business Loans	-	39.844	39.844
Vehicle Loans	107.480	651.315	758.795
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	455	455
Business Loans	-	-	-
Vehicle Loans	-	455	455
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	23.873	23.873
Business Loans	-	-	-
Vehicle Loans	-	23.873	23.873
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	107.480	715.487	822.967

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

e) Breakdown of domestic and international loans:

	Current Period 30.06.2021	Prior Period 31.12.2020
Domestic Loans	39.712.991	36.256.108
Foreign Loans	283.896	113.156
Profit Share Income Accruals of Loans	869.008	673.095
Total^(*)	40.865.895	37.042.359

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

f) Loans Granted to subsidiaries and participations

As of 30 June 2021, the Bank has no loans granted to subsidiaries and participations (31 December 2020: None).

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Loans and receivables with limited collectability	145.975	83.330
Loans and receivables with doubtful collectability	145.354	89.754
Uncollectible loans and receivables	781.409	615.759
Total	1.072.738	788.843

h) Information on lease receivables

h.1) Analysis of Investments Made in Financial Leasing by Remaining Maturity

	Current Period 30.06.2021		Prior Period 31.12.2020	
	Gross	Net	Gross	Net
Less than 1 year	331.417	319.561	229.444	218.891
1-5 year	5.115.393	4.537.225	4.431.155	3.904.522
More than 5 years	1.751.017	1.472.262	1.262.735	1.012.806
Total	7.197.827	6.329.048	5.923.334	5.136.219

h.2) Information on Net Investments in Financial Leasing

	Current Period 30.06.2021	Prior Period 31.12.2020
Gross Financial Lease Receivable	7.197.827	5.923.334
Unearned Financial Income from Financial Lease (-)	(868.779)	(787.115)
Canceled Rental Amounts	-	-
Total	6.329.048	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 30 June 2021 the Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled, is TL 14.861 (31 December 2020 : TL 13.039).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (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 (+)	490.983	54.169	89.604
Transfers from other categories of non-performing loans (+)	-	170.038	129.811
Transfers to other categories of non-performing loans (-)	170.038	129.811	-
Collections in the current period (-)	3.389	7.638	70.005
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	521.003	259.158	954.621
Expected Loss Provision (Stage 3)	145.975	145.354	781.409
Net balance on balance sheet	375.028	113.804	173.212

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

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible Loans
Current Period (*)			
Ending balance of the current period	-	1.278	308.345
Expected Loss Provision (Stage 3) (-)	-	511	246.603
Net balance on balance sheet	-	767	61.742

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible Loans
Prior Period (*)			
Ending balance of the current period	14.935	57.475	221.893
Expected Loss Provision (Stage 3) (-)	4.056	32.515	167.226
Net balance on balance sheet	10.879	24.960	54.667

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (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)	375.028	113.804	173.212
Loans to Real Persons and Legal Entities (Gross)	521.003	259.158	954.621
Specific Provisions (-)	145.975	145.354	781.409
Loans to Real Persons and Legal Entities (Net)	375.028	113.804	173.212
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: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Current Period End Balance 30.06.2021			
Profit Share Accrual and Valuation Differences Provision	11.419	57.085	121.540
Provision Amount (-)	3.327	32.665	99.688

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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 the 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 30.06.2021	Prior Period 31.12.2020
Debt Securities	903.845	779.437
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	903.845	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 30 June 2021, government debt securities measured at amortized cost of the Bank is TL 903.845 (31 December 2020: TL 779.437).

	Current Period 30.06.2021	Prior Period 31.12.2020
Balances at Beginning of Period	779.437	547.750
Foreign Currency Differences on Monetary Assets	104.432	191.227
Purchases during the Period ^(*)	19.976	40.460
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	903.845	779.437

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

As of 30 June 2021, the amount of assets due to trading is TL 83.381 (31 December 2020: TL 75.240).

	Current Period 30.06.2021	Prior Period 31.12.2020
Beginning Balance (Net)	75.240	104.069
Changes During the Period (Net)	8.141	(28.829)
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	83.381	75.240

(*) The bank has a right of fidelity of over TL 47.845 of assets held for sale (31 December 2020: 57.817).

As of 30 June 2021, the Bank has no discontinued operations (31 December 2020: None).

9. Equity Investments

a) Information about 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 shareholders Equity
1 ^(*)	3.132.586	252	-	309.362	-	85	(3)	-	-
2 ^(*)	88	84	-	29	-	1	25	-	-

(*) 30 June 2021 interim reviewed financial statements are used.

	Current Period 30.06.2021	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 (%)	-	-

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

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

None (31 December 2020: None).

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

None (31 December 2020: None).

10. Explanations on property and equipment:

	Immovable	Right of Use of Immovable	Movable	Right of Use of 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)	-	21.985	3.323	7.777	1.191	-	34.276
Cost	-	33.343	9.240	8.042	5.153	-	55.778
Amortization (Net) (-)	-	11.358	5.917	265	3.962	-	21.502
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	179.046	98.291	28.966	57.205	-	363.508
Accumulated Depreciation at Period End (-)	-	55.608	53.449	7.558	34.653	-	151.268
Provision for Impairment (-)	-	-	-	-	-	-	-
Closing Net Book Value	-	123.438	44.842	21.408	22.552	-	212.240

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.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

11. Information on intangible assets:

	Current Period 30.06.2021			Prior Period 31.12.2020		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	224.048	46.131	177.917	198.433	37.176	161.257
Total	224.048	46.131	177.917	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.
- Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are unconsolidated: Not applied to the financial statements with consolidation.
- Information on goodwill: None.

12. Information on the investment properties:

As of 30 June 2021, the Bank has no investment properties (31 December 2020: None).

13. Information on deferred tax asset:

As at 30 June 2021, deferred tax liabilities of TL 158.203 (31 December 2020: TL 68.859) and deferred tax assets of TL 275.812 (31 December 2020: TL 177.456) have been offset and TL 117.609 deferred tax asset (31 December 2020: TL 108.597 deferred tax asset) is reflected in the financial statements.

15. Information on other assets:

As of 30 June 2021, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

1. a) Information on funds collected:

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

Current Period 30.06.2021	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	753.078	-	-	-	-	-	-	-	753.078
II. Real persons participation accounts non-trade TL	-	545.403	5.308.150	44.932	-	56.757	255.384	-	6.210.626
III. Other current accounts-TL	5.690.078	-	-	-	-	-	-	-	5.690.078
Public sector	124.504	-	-	-	-	-	-	-	124.504
Commercial sector	1.281.976	-	-	-	-	-	-	-	1.281.976
Other institutions	89.916	-	-	-	-	-	-	-	89.916
Commercial and other institutions	450	-	-	-	-	-	-	-	450
Banks and participation banks	4.193.232	-	-	-	-	-	-	-	4.193.232
Central Bank of Republic of Turkey	63	-	-	-	-	-	-	-	63
Domestic banks	1.176	-	-	-	-	-	-	-	1.176
Foreign banks	4.191.984	-	-	-	-	-	-	-	4.191.984
Participation banks	9	-	-	-	-	-	-	-	9
Others	-	-	-	-	-	-	-	-	-
IV. Participation accounts-TL	-	2.051.487	9.529.446	470.938	-	373.042	30.008	-	12.454.921
Public sector	-	436.474	671.901	70.567	-	209.434	-	-	1.388.376
Commercial sector	-	1.603.483	7.627.083	340.217	-	163.598	21.769	-	9.756.150
Other institutions	-	11.530	874.385	60.154	-	10	8.239	-	954.318
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	356.077	-	-	-	-	-	356.077
V. Real persons current accounts non-trade FC	1.684.514	-	-	-	-	-	-	-	1.684.514
VI. Real persons participation accounts-FC	-	304.462	6.385.298	95.366	-	166.382	1.353.789	-	8.305.297
VII. Other current accounts-FC	2.889.689	-	-	-	-	-	-	-	2.889.689
Commercial residents in Turkey	2.683.057	-	-	-	-	-	-	-	2.683.057
Commercial residents in Abroad	180.450	-	-	-	-	-	-	-	180.450
Banks and participation banks	26.182	-	-	-	-	-	-	-	26.182
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	26.182	-	-	-	-	-	-	-	26.182
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Participation accounts- FC	-	155.783	4.738.857	82.091	-	205.683	5.291.009	-	10.473.423
Public sector	-	918	-	-	-	-	-	-	918
Commercial sector	-	155.783	4.692.987	82.042	-	205.683	5.289.098	-	10.425.593
Other institutions	-	-	11.999	49	-	-	1.911	-	13.959
Commercial and other institutions	-	-	32.953	-	-	-	-	-	32.953
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.306.715	-	1.671.091	195.674	-	24.900	37.447	-	3.235.827
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	12.324.074	3.057.135	27.632.842	889.001	-	826.764	6.967.637	-	51.697.453

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (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	5.992.502	-	-	-	-	-	-	-	5.992.502
Public sector	173.231	-	-	-	-	-	-	-	173.231
Commercial sector	1.219.808	-	-	-	-	-	-	-	1.219.808
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	12.000.245	2.964.437	28.032.338	294.904	-	489.573	2.604.653	-	46.386.150

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO 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 30.06.2021	Prior Period 31.12.2020	Current Period 30.06.2021	Prior Period 31.12.2020
Real persons current and profit sharing accounts that are not subject to commercial activities	6.778.663	6.262.307	13.130.106	11.597.180
TL accounts	3.602.102	3.102.912	3.361.602	3.238.877
FC accounts	3.176.561	3.159.395	9.768.504	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 30.06.2021	Prior Period 31.12.2020
Foreign branches’ profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	817	672
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

2. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	3.440.855	1.221.818	4.397.336	1.012.839
From Foreign Banks, Institutions and Funds	-	125.663	-	33.689
Total	3.440.855	1.347.481	4.397.336	1.046.528

ZİRAAT KATILIM BANKASI A.Ş.

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b) Information on maturity structure of borrowings:

	Current Period 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Short-term	3.196.655	483.846	4.121.770	750.707
Medium and Long-term	244.200	863.635	275.566	295.821
Total	3.440.855	1.347.481	4.397.336	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:

77% of Bank’s liabilities consists of current and share profit account.

3. Funds provided under repurchasing agreements:

	Current Period 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Domestic	3.314.800	-	2.101.073	-
Financial Institutions	3.314.800	-	2.101.073	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	3.314.800	-	2.101.073	-

4. Information on securities issued:

None (31 December 2020: None)

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 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Forward transactions	-	-	-	19.213
Swap transactions	-	2.021	-	227
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	-	2.021	-	19.440

7. Information on financial lease obligations:

	Current Period 30.06.2021		Prior Period 31.12.2020	
	Gross	Net	Gross	Net
Less than 1 year	5.888	4.687	73.018	42.158
Between 1-5 years	95.255	80.367	126.116	78.453
More than 5 years	157.375	75.860	9.770	7.023
Total	258.518	160.914	208.904	127.634

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

8. Information on provisions:

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

As of 30 June 2021, 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 amount to TL 76.710 (31 December 2020: TL 65.327).

c) Information on other provisions:

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

As of 30 June 2021, 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).

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

As of 30 June 2021, TL 281.670 (31 December 2020: TL 206.087) of other provisions is from the provisions set aside to be used to meet the share of participation accounts, and TL 3.052 (December 31, 2020: TL 147) is valued at foreign exchange trading transactions. Decreased reserves amounting to TL 58 (31 December 2020: None) consists of provisions for promotional applications related to credit cards and banking services.

c.3) Information on litigations provisions

A provision of TL 36.393 has been set aside in the financial statements for lawsuits that have not yet been finalized against the bank (31 December 2020: TL 36.613).

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 30 June 2021, the amount payable consists of one month’s salary limited to a maximum of TL 8.285 (full TL) (31 December 2020: TL 7.117 (full TL)) for each year of service.

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

	Current Period 30.06.2021	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 30.06.2021	Prior Period 31.12.2020
Balance at the 1 January	18.984	8.662
Changes during the period	4.144	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	23.128	18.984

As of 30 June 2021, the Bank has a TL 10.750 short-run employees' rights provision (31 December 2020: TL 7.250).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial rate 9.80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 30 June 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 500 based on the bonus to be paid in a current period (31 December 2020: TL 29.836).

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 30 June 2021, the Bank's corporate income tax liability is TL 79.255 (31 December 2020: TL 96.632).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

b) Information on taxes payable:

	Current Period 30.06.2021	Prior Period 31.12.2020
Corporate Tax Payable	30.986	57.157
Taxation on Income From Securities	23.979	18.264
Property Tax	188	159
Banking Insurance Transactions Tax (BITT)	14.243	12.977
Foreign Exchange Transactions Tax	948	1.099
Value Added Tax Payable	4.836	3.642
Other	3.591	2.975
Total	78.771	96.273

c) Information on premiums:

	Current Period 30.06.2021	Prior Period 31.12.2020
Social Security Premiums – Employee	8	8
Social Security Premiums – Employer	2	14
Bank Social Aid Pension Fund Premium - Employee	-	1
Bank Social Aid Pension Fund Premium - Employer	6	7
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	156	110
Unemployment Insurance – Employer	312	219
Other	-	-
Total	484	359

10) Information on deferred tax liabilities, if any:

The Bank does not have deferred tax liabilities 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 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
From Domestic Banks	830.987	-	312.489	-
Domestic Other Organizations	-	892.590	-	768.037
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
Total	830.987	892.590	312.489	768.037

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

12. Explanations on subordinated debts (Continued):

	Current Period 30.06.2021		Prior Period 31.12.2020	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:				
Subordinated Loans (*)	-	892.590	-	768.037
Equity-like Debt Instruments	-	892.590	-	768.037
Debt instruments to be included in Contribution Capital Calculation:				
Subordinated Loans (**)	830.987	-	312.489	-
Equity-like Debt Instruments	830.987	-	312.489	-
Total	-	-	-	-
	830.987	892.590	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. TC Ziraat Bankası A.Ş. contract was signed amount to TL 500.000 on April 15, 2021, and this loan was actually used on April 16, 2021 and entered the Bank accounts. The maturity of the loan is 10 (ten) years and the profit share rate is 18.00%. There is no option to convert into stock.

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

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

14. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period 30.06.2021	Prior Period 31.12.2020
	Common stock	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.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

None (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 30 June 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 30.06.2021		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	(36.124)	(580)	(9.259)	(84)
Revaluation Difference	(48.048)	(580)	(12.063)	(84)
Deferred Tax Effect	11.924	-	2.804	-
Foreign Exchange Difference	-	-	-	-
Total	(36.124)	(580)	(9.259)	(84)

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

1. **Information on off-balance sheet liabilities:**

- a) **Nature and amount of irrevocable loan commitments:**

	Current Period 30.06.2021	Prior Period 31.12.2020
Commitments for Credit Card Expenditure Limits	858.086	155.132
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	383.597	268.625
Loan Granting Commitments	19.964	16.428
Asset Purchase Commitments	92.494	48.071
Tax and Fund Liabilities from Export Commitments	166.349	173.340
Promotion Commitment Regarding Credit Card and Banking Services	161	1
Total	1.520.651	661.597

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS
(Continued)

b) Nature and amount of possible losses and commitments arising from the off-balance sheet items including the below mentioned:

The amount of provision for Stage 3 possible arising from the off-balance sheet items is TL 24.700 (31 December 2020: TL 26.708).

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Guarantee Letters	15.170.095	12.574.368
Bank Acceptances	16.870	7.687
Letter of Credits	2.323.391	1.380.643
Other Contingencies	2.286.526	1.953.072
Total	19.796.882	15.915.770

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

	Current Period 30.06.2021	Prior Period 31.12.2020
Letters of Temporary Guarantees	910.628	945.817
Letters of Certain Guarantees	7.218.298	6.505.269
Letters of Advance Guarantees	1.188.867	592.998
Letters of Guarantees given to Customs Offices	112.250	100.010
Other Letters of Guarantees	5.740.052	4.430.274
Total	15.170.095	12.574.368

b.3) Total non-cash loans:

	Current Period 30.06.2021	Prior Period 31.12.2020
Non-Cash Loans for Providing Cash Loans	5.740.494	4.430.274
With Original Maturity of One Year or Less	800.648	406.570
With Original Maturity of More than One Year	4.939.846	4.023.704
Other Non-Cash Loans	14.056.388	11.485.496
Total	19.796.882	15.915.770

IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS

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

	Current Period 30.06.2021		Prior Period 30.06.2020	
	TL	FC	TL	FC
Profit share on loans (*)	1.752.316	297.653	1.238.865	228.764
Short term loans	468.740	52.878	390.014	53.780
Medium and long term loans	1.244.625	244.775	823.580	174.984
Profit share on non-performing loans	38.951	-	25.271	-
Premiums received from resource utilization support fund	-	-	-	-

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

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

b) Information on profit share income from banks:

	Current Period 30.06.2021		Prior Period 30.06.2020	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	970	-	-
Foreign Banks	-	228	-	-
Head Office and Branches	-	-	-	-
Total	-	1.198	-	-

c) Information on profit share income from securities portfolio:

	Current Period 30.06.2021		Prior Period 30.06.2020	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	2.605	4.594	19.994	16.923
Financial Assets at Fair Value through Other Comprehensive Income	271.724	22.521	231.533	12.020
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	27.637	-	-
Total	274.329	54.752	251.527	28.943

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

None (30 June 2020: None).

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

	Current Period 30.06.2021		Prior Period 30.06.2020	
	TL	FC	TL	FC
Banks	25.519	13.656	2.042	26.629
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	11.794	13.106	2.042	25.547
Foreign Banks	13.725	550	-	1.082
Head Office and Branches	-	-	-	-
Other Institutions	352.235	29.913	188.816	29.747
Total	377.754	43.569	190.858	56.376

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

The amount of profit share expense given to associates and subsidiaries is TL 309.392 (31 December 2020: TL 140.423)

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

None (31 December 2020: None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

Current Period 30.06.2021	Participation Accounts						Cumulative Participation Accounts	Total
	1 month	3 months	6 months	1 year	Over 1 year			
Turkish Lira								
Funds Collected from Banks via Current and Participation Accounts	-	12.335	-	-	-	-	12.335	
Real Person's Non Commercial Participation Accounts	37.865	300.217	2.793	3.396	16.529	-	360.800	
Public Sector Participation Accounts	47.709	42.763	12.315	6.994	-	-	109.781	
Commercial Sector Participation Accounts	74.230	691.271	12.088	10.461	13.617	-	801.667	
Other Institutions Participation Accounts	1.464	92.480	5.191	-	102	-	99.237	
Total	161.268	1.139.066	32.387	20.851	30.248	-	1.383.820	
Foreign Currency								
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-	
Real Person's Non Commercial Participation Accounts	3.104	34.878	510	984	12.785	-	52.261	
Public Sector Participation Accounts	1	5	-	-	-	-	6	
Commercial Sector Participation Accounts	865	39.768	3.828	2.067	28.980	-	75.508	
Other Institutions Participation Accounts	23	124	1	-	5	-	153	
Public Sector Participation Accounts	-	4.212	480	57	100	-	4.849	
Total	3.993	78.987	4.819	3.108	41.870	-	132.777	
Grand Total	165.261	1.218.053	37.206	23.959	72.118	-	1.516.597	

Prior Period 30.06.2020	Participation Accounts						Cumulative Participation Accounts	Total
	1 month	3 months	6 months	1 year	Over 1 year			
Turkish Lira								
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-	
Real Person's Non Commercial Participation Accounts	25.453	210.375	3.307	2.984	14.071	-	256.190	
Public Sector Participation Accounts	6.032	11.141	4.255	12.250	3.791	-	37.469	
Commercial Sector Participation Accounts	18.367	174.493	6.667	16.693	7.347	-	223.567	
Other Institutions Participation Accounts	5.247	17.171	7.055	78	55	-	29.606	
Total	55.099	413.180	21.284	32.005	25.264	-	546.832	
Foreign Currency								
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-	-	
Real Person's Non Commercial Participation Accounts	1.757	21.728	384	564	13.746	-	38.179	
Public Sector Participation Accounts	3	8	-	-	-	-	11	
Commercial Sector Participation Accounts	1.195	9.662	605	1.564	9.423	-	22.449	
Other Institutions Participation Accounts	-	417	-	-	-	-	417	
Public Sector Participation Accounts	1.190	-	-	-	-	-	1.190	
Total	4.145	31.815	989	2.128	23.169	-	62.246	
Grand Total	59.244	444.995	22.273	34.133	48.433	-	609.078	

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Information on dividend income:

As of 30 June 2021 the Bank has no dividend income. (30 June 2020: None).

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

	Current Period 30.06.2021	Prior Period 30.06.2020
Income	5.473.719	4.921.231
Foreign exchange gains	85.805	76.656
Gain on derivative financial instruments	50.939	48.527
Gain on capital market transactions	5.336.975	4.796.048
Losses (-)	5.305.632	4.885.096
Foreign exchange losses	84.738	774
Losses on derivative financial instruments	85.731	42.219
Losses on capital market transactions	5.135.163	4.842.103
Net	168.087	36.135

b. Information on profit/loss on derivative financial operations:

	Current Period 30.06.2021	Prior Period 30.06.2020
Effect of the change in exchange rates on profit/loss	(34.792)	6.308
Total	(34.792)	6.308

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 30.06.2021	Prior Period 30.06.2020
Correction Account for Previous Years Expenses	390.454	109.754
Income from the Sale of the Asset	2.865	4.085
Provision for Communication Expenses	953	440
Checkbook Fees	246	174
Other	3.300	651
Total	397.818	115.104

(*) Adjustment account for previous year expenses consists of 255.475 TL is for general provision cancellations (30 June 2020: 80.623 TL), 66.529 TL is for security impairment loss provisions (30 June 2020: None.) and 68.450 TL is from special provision cancellations (30 June 2020: 27.842 TL).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period 30.06.2021	Prior Period 30.06.2020
Expected Credit Loss	544.020	641.840
12 month expected credit loss (stage 1)	82.749	89.693
Significant increase in credit risk (stage 2)	95.634	236.682
Non-performing loans (stage 3)	365.637	315.465
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	7.678	101.718
Total	551.698	743.558

7. Information on other operating expenses:

	Current Period 30.06.2021	Prior Period 30.06.2020
Reserve for Employee Termination Benefits	4.143	2.105
Bank Social Aid Provision Fund Deficit Provision	-	-
Impairment Expenses of Tangible Assets	-	-
Depreciation Expenses of Tangible Fixed Assets	29.037	23.995
Impairment Expenses of Intangible Assets	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	7.465	6.457
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	70.687	64.640
Leasing Expenses Related to TFRS 16 Exceptions	162	36
Maintenance Expenses	9.443	9.839
Advertisement Expenses	24.076	22.074
Other Expenses	37.006	32.691
Loss on Sales of Assets	53	203
Other (*)	59.726	49.690
Total	171.111	147.090

(*) The balance which forms the other item part, TL 28.583 (30 June 2020: TL 25.848), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 16.065 (30 June 2020: TL 20.324) consists of taxes, fees and funds and other service expenses.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of 30 June 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 30.06.2021	Prior Period 30.06.2020
Net Profit Share Income	475.946	1.063.380
Net Fees and Commissions Income	64.494	25.451
Dividend Income		104
Trading Income/Expense (Net)	168.087	36.135
Other Operating Income	397.818	115.104
Expected Loss Provision (-)	544.020	641.840
Other Provision Expense (-)	7.678	101.718
Personnel Expense	149.131	117.188
Other Operating Expenses (-)	171.111	147.090
Income/(Loss) from Continuing Operations	234.405	232.338

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

As of 30 June 2021, the Bank's total tax provision expense amounting to TL 47.055 (30 June 2020: TL 93.956) consists of TL 46.946 (30 June 2020: TL 86.297) of current tax expense and TL 109 (30 June 2020: TL 7.659) 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 187.350 (30 June 2020: TL 138.382 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 (30 June 2020: None).

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira (“TL”))

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**V. EXPLANATIONS AND NOTES RELATED TO THE CHANGES IN SHAREHOLDERS’
EQUITY**

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

VI. EXPLANATIONS ON CASH FLOW STATEMENTS

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

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

**1) a) Information on the volume of transactions relating to the 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	-	-	812	-	-	-
Profit share and commission income	-	-	-	-	-	-

Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at the beginning of the period	-	-	3.097.903	-	-	-
Balance at the end of the period	-	-	540	-	-	-
Profit share and commission income	-	-	2.151	-	-	-

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	-	-	595.376	2.715	-	-
Participation Accounts						
Profit Share Expenses	-	-	300	17	-	-

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)**

**VII. EXPLANATIONS AND NOTES RELATED TO THE RISK GROUP OF THE BANK
(Continued)**

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	3.950.000	2.450.000	560.325	791.395	-	-
Balance at the end of the period	3.050.000	3.950.000	495.443	560.325	-	-
Profit share paid expense	309.392	140.423	9.272	16.119	-	-

2) Information on forward transactions, option agreements and similar transactions between the 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	-	-	1.605	6.917	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management:

The Bank has paid TL 4.243 (30 June 2020: TL 3.295) to top management.

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

None.

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 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 30 June 2021, unconsolidated 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 12 August 2021 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

SECTION SEVEN

INTERIM ACTIVITY REPORT

I. Assessment of Chairman

The Covid-19 virus, which emerged last year, caused a global epidemic. Although the negative effects of the virus on the global economy and social life have decreased, it still continues today. While trying to prevent the Covid -19 epidemic with vaccination, the delta variant that emerged in India caused the number of cases to increase again. The rapid increase in the number of cases of the delta variant has once again revealed the importance of vaccination. The re-emergence of restrictions, especially in Europe, caused some concerns over the recovery in the global economy.

While the recovery in the US economy accelerated in the second quarter of the year, rapid increases in inflation, which were stated to be temporary, were observed. Although the US Federal Reserve (FED) emphasizes that the rise in inflation is temporary, it gives signals that a change will be made in the monetary policy. The monetary policy to be implemented by the FED is closely followed not only by the US economy, but also by the economies of developing countries. Considering the improvement in macroeconomic data, the measures taken by the US government reduced the negative effects of the pandemic on the US economy.

In the European continent, where the pandemic was quite effective, serious contractions occurred in the economies of the member countries of the union last year. Although the European Central Bank's (ECB) expansion of liquidity facilities and the introduction of stimulus packages provided some recovery in the economies, this recovery lagged behind the US. While Europe is behind in recovery, the Euro loses value, while exporting European countries such as Germany are expected to be positively affected by this situation. The rapid spread of the Delta variant of the Covid-19 virus in European countries has brought temporary closures to the agenda again.

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 15.36% in the half of this year compared to the beginning of the year, the asset size of the banking sector increased by 10.22% in the same period. In the same period, the asset size of our Bank increased by 11.64%. Looking at the profit figures, the net profit of the participation banking sector in the half of 2021 increased by 20.52% compared to the same period of the previous year, while the net profit of the banking sector increased by 9.96% in the same period. In the same period, our Bank's net profit increased by 35.39%. The share of participation banking in the sector, which was 7.15% at the end of last year, increased to 7.50% in the half 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.

Ziraat Participation Bank, bearing the title of Turkey's first public participation bank, continues to open branches in the second quarter of the year and aims to carry the public participation banking practice to all settlements in our country with a high interest rate sensitive area of economic activity. In the second quarter of the year, our Bank continued to provide effective service to our customers without compromising its quality, despite the pandemic conditions. Since its establishment, 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. It will continue to work to contribute more to our economy in the coming periods.

Hüseyin AYDIN
Chairman of the Board

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 increased by 12% in the second quarter of 2021 compared to the end of 2020 and reached 67.37 billion TL, while the funds collected increased by 11% compared to the same period and reached 51.69 billion TL. While the cash funds provided increased by 12% to TL 47.19 billion, Ziraat Participation's cash and non-cash financing provided to the entire sector amounted to TL 66.9 billion.

Ziraat Participation completed the second quarter of 2021 with a profit of TL 187 million, as a result of its service approach that prioritizes customer satisfaction and the successful execution of its business cycle structured with a focus on efficiency.

Ziraat Participation, which has rapidly expanded its branch network throughout Turkey, has reached a total of 110 branches, one of which is abroad, at the end of the second quarter of 2021.

LEASE CERTIFICATE ISSUES REACHED TL 30.4 BILLION

Ziraat Participation Bank successfully completed the issuance of 7 lease certificates in the second quarter of 2021. Ziraat Yatırım Menkul Değerler A.Ş. While 2.3 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 30.4 billion TL with the issuance of 85 lease certificates to qualified investors since its inception in 2015.

PROTOCOL SIGNED WITH TOBB AND CREDIT GUARANTEE FUND

A protocol was signed with our Bank, the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Credit Guarantee Fund (KGF) in order to ensure the continuation of its contribution to the country's economy by providing working capital financing and surety support under favorable conditions for SMEs. Nefes Support Financing was created within the scope of the aforementioned protocol, and financing was provided with the acceptance of the participation fund to be provided by TOBB and the KGF guarantee.

SCHOOL COLLECTION SYSTEM HAS BEEN IMPLEMENTED

Education, food, service, dormitory, etc., which educational institutions will collect in installments from the parents of the students the School Collection System (OTS) was put into practice in order to pay the fees. By providing the opportunity to work more effectively in the education sector, student parents can benefit from Education Finance with payment options in installments up to 12 months.

WE CONTINUE OUR INVESTMENTS IN INFORMATION SYSTEMS

While it was possible to sell insurance products through digital channels, the Term Export Financing Project was completed and the product range offered to the customers was increased. CBRT and BRSA reports were automatically generated through the banking system. An automatic process is started in the system for bankruptcy and concordat files to be shared from the Risk Center. Compliance has been achieved with the legal processes published for foreign currency loan and income statement sharing. Necessary studies were carried out on the financial information portal within the scope of the corporate website renewal work. The collective account opening screen has been transformed into a business processes structure, making it more efficient, faster and reportable. Necessary integration with SGK to make payments through our bank has been completed.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

WE PROVIDE DIGITAL CONVENIENCE TO OUR CUSTOMERS

Within the scope of the Instant Transfer (FAST) system, where our customers can transfer money 24/7 with their mobile phone, e-mail address, TR ID, passport or tax number that they will define in the Easy Address system without the need for an Account or IBAN number, QR (Matrix Code) from Katılım Mobil FAST operation is made available to our customers. TCIP, CASKO and Traffic Insurance application transactions can be made through our Internet Branch and Participation Mobile. Bankkart credit card applications have started to be received from our Internet Branch. By making video calls with Katılım Mobil, account opening transactions began to be made without going to the branch. In order to ensure safe and quality communication with our Arabic-speaking customers at our branches between 09:00 and 18:00 on weekdays, translation support has begun to be provided by our Arabic-speaking customer representatives.

SWIFT GPI APPLICATION WAS IMPLEMENTED

With the implementation of the SWIFT GPI application, the outcome of outgoing international money transfers and correspondent expense deductions can be monitored transparently from the main banking system and made available to all branch employees. With this development, it is possible to monitor whether the payments reach the recipient, the processing time and cost amounts. The "Internet / Mobile Branch" development, which is the second phase of the IBAN / Correspondent Inquiry" integration, has been completed. With this development, the need for manual BIC/Swift code search has been eliminated by providing ease of use and incorrect swift submissions have been prevented. Improvements have been made to improve the Cash Export file closing process. and branch users were enabled to follow the process more easily.

OUR 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, all necessary measures are taken to ensure that our customers and employees are not affected by the virus in 2021, while effective service is provided to our customers without sacrificing service quality.

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

Metin ÖZDEMİR
General Manager

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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 71% with 47.580.846 Thousand TL, Cash and Cash Equivalents are 15% with 10.168.357 Thousand TL, Securities 13% with 8.610.711 Thousand TL, Other Assets receives 1% with 1.013.413 Thousand TL.

Assets (Thousand TL)	30 June 2021	31 December 2020	Variance (%)
Cash Values and Cash Equivalents	10.168.357	10.273.948	(1)
Securities	8.610.711	6.895.629	25
Loans	47.580.846	42.206.410	13
Other Assets	1.013.413	811.009	25
Total Assests	67.373.327	60.186.996	12

Deposit in Bank Liabilities, are 77% with 51.697.453 Thousand TL, Non-Deposit Resources are %15 with 9.826.713 Thousand TL, Equity are 6% with 3.894.262 Thousand TL Other Liabilities are %2 with 1.954.899 Thousand TL.

Liabilities (Thousand TL)	30 June 2021	31 December 2020	Variance (%)
Deposit	51.697.453	46.386.150	11
Non- Deposit Resources	9.826.713	8.625.463	14
Other Liabilities	1.954.899	1.441.110	36
Equity	3.894.262	3.734.273	4
Total Liabilities	67.373.327	60.186.996	12

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 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)	30 June 2021	30 June 2020
Profit Share Income	2.683.261	1.945.200
Profit Share Expense	2.207.315	881.820
Net Profit Share Income	475.946	1.063.380
Net Fee and Commission Income	64.494	25.451
Trading Profit/Loss	168.087	36.135
Other Operating Income	397.818	115.104
Other Operating Expense	171.111	147.090
Expected Loss Provision	544.020	641.840
Other Provision Expense	7.678	101.718
Personel Expense	149.131	117.188
Profit / Loss Before Tax	234.405	232.338
Tax Provision	(47.055)	(93.956)
Net Profit/Loss	187.350	138.382

RATIOS (%)	30 June 2021	31 December 2020
Capital Adequacy Ratio	13,9	14,8
Equity / Total Assets	5,8	6,2
Total Loans / Total Assets	70,0	70,1
Borrowings/Total Assets	76,7	77,1
Non-Performing Loans (Gross)/Loans	3,5	2,7

VI. 2021 II. Interim Activities

Head of Digital Banking and Channel Management Department

- FAST transaction with QR (Matrix Code) on Katılım Mobile has been made available to our customers.
- TCIP, Motor Insurance and Traffic Insurance application transactions can be made through our Internet Branch and Katılım Mobile.
- Bankkart credit card applications started to be received from our Internet Branch.
- Leasing preliminary application started to be received on our WEB site (www.ziraatkatilim.com.tr).
- By making video calls with Katılım Mobile, account opening transactions were started without going to the branch.
- Second-Hand Vehicle Purchase-Sale transactions will be made available to our customers in the near future via Katılım Mobile
- It will soon be available to our customers that sole proprietorships will be able to make their financing applications via Katılım Mobil - Mobil Finansman.
- The Environment ATM Project (TAM ATM) carried out by the Public Banks continues.
- The project activities carried out under the leadership of the CBRT within the scope of Open Banking continue.

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

INTERIM ACTIVITY REPORT (Continued)

VI. 2021 II. Interim Activities (Continued)

- Interpreting support was started to be provided by our Arabic-speaking customer representatives in order to ensure safe and high-quality communication with our Arabic-speaking customers at our branches between 09:00 and 18:00 on weekdays.
- It is aimed to increase diversity in self-service services, where our customers can complete their transactions via the voice answering system 0850 220 5000 without connecting to a customer representative.
- With the support of artificial intelligence, the record in the notification management system will be automatically forwarded to the business unit or the solution explanation will be automatically sent to the customer in order to resolve requests and complaints from our customers faster.
- It is aimed to make the necessary infrastructure developments that will enable our customers to perform their transactions from our physical branches by customer representatives via video calls and put them into service and use.

Head of Product Development and Management Department

In the COVID-19 epidemic, which continues to affect the whole world in the first half of 2021, it has undertaken innovative, customer-oriented projects that will optimize the user experience, in addition to its current efforts to strengthen its position in the field of payment systems. With the new normal, the transfer of payments to digital and the radical change in customer payment habits have had a positive impact on the acceleration of our work, especially on contactless and online payments.

In the second quarter of 2021, special campaign offers were offered to our credit card customers, resulting in growth in the card portfolio.

Our bank's debit cards transaction volume increased by 87% compared to the same period of 2020 and maintained its place among the top 5 banks with 40% in card activity.

Our POS network increased 1.6 times and our turnover doubled compared to the same period of the previous year. With these ratios, our Bank ranked second in the entire banking sector in terms of turnover increase.

Our Bank has signed a protocol with the Union of Chambers and Commodity Exchanges of Turkey (TOBB) and the Credit Guarantee Fund (KGF) in order to ensure the continuation of its contribution to the country's economy by providing working capital financing and surety support to SMEs under favorable conditions. Nefes Support Financing was created within the scope of the aforementioned protocol, and with the acceptance of the participation fund to be provided by TOBB and the KGF guarantee, our Bank has disbursed nearly 17 million TL of financing as of today.

Education / meal / service / dormitory etc. to be collected in installments by the Educational Institutions from the parents of the students. The School Collection System (OTS) was put into practice in order to pay the fees. By providing the opportunity to work more effectively in the education sector, student parents can benefit from Education Finance with payment options in installments up to 12 months.

As Ziraat Participation, our customers; It will continue its activities without slowing down in facilitating access to finance and making it available under appropriate conditions.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 JUNE 2021**

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

INTERIM ACTIVITY REPORT (Continued)

VII. Expectations Regarding the post - 2021 II. 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 second quarter of 2021. With the emergence of the delta variant of the virus, there has been a rapid increase in the number of cases. While this situation draws attention to the importance of vaccination; it has started to cause restrictions in social life again all over the world. Expansionary monetary policies implemented by central banks and incentive packages of governments have reduced global risks and supported the recovery process. With the acceleration of the vaccination process and the taking of normalization steps, some stabilization has been observed in economic activities. Due to the postponed demand due to the epidemic, the continuation of vaccination processes and the effect of the expansionary monetary and fiscal policies, the expectations for recovery in the global economy increased, and therefore, an increase in international commodity prices occurred. Although it is thought to be temporary all over the world, high inflation figures have begun to be seen.

The US economy, which was adversely affected by the epidemic process last year, recovered faster than expected as of the first quarter of 2021. FED Chairman Powell stated that inflation has been on the rise in the USA recently, but that inflation will return to its two percent target once supply imbalances are eliminated. Despite this, the FED changed its stance during the epidemic process and started to give signals that it could make changes from the monetary policy it implemented by pointing to the increase in demand and inflation. As this attitude of the FED creates the perception that a short-term tight monetary policy will be implemented by the market, there are rapid increases in short-term bond rates; long-term bond yields fell sharply. With the effect of delayed demand, vaccination program and incentive packages, the US economy is expected to grow above average this year.

The Covid-19 outbreak had a very negative impact on the Euro Zone countries, both socially and economically. Despite the incentives and economic measures implemented, the economic recovery has not been realized at the expected level. While employment and income losses continued to be seen, contractions occurred in many service sectors, especially in tourism. Restrictions due to the increasing number of cases continued to increase the pressure on foreign demand and exports. While the European Central Bank (ECB) continued its monetary expansion during the epidemic period, it did not make any changes in interest rates. Although the ECB has kept the amount of the pandemic emergency purchase program at 1.85 trillion Euros, it has stated that the program will increase significantly in the future. The ECB also emphasized that it will reduce the inflation target to two percent. While positive developments were experienced in the Euro Area PMI data, there was a slight decrease in retail sales.

In the last quarter of the second quarter of the year, the statements made by the FED that it might change its stance in the monetary policy implemented caused capital outflows from developing countries. While the currencies of emerging economies depreciated, funding costs increased. While the strong global economic outlook supported commodity prices, serious increases were observed in the prices of products used in infrastructure works such as iron ore, glass products and cement. In addition, the failure of OPEC+ countries to agree to increase production in August caused oil prices to rise to the highest level in the last 7 years.

The temporary high increase in cases in the second quarter of the year in Turkey was reduced to reasonable levels in a short time as a result of the measures taken by the government officials. With the return of social life to normal and vaccination activities going better than expected, domestic demand started to recover and domestic economic activity remained strong.

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 effect of the recovery in foreign economies, an improvement was observed in the PMI data. In the upcoming period, it is expected that the Turkish lira will strengthen and price stability will be ensured with the current tight monetary policy. With the positive developments in foreign demand and the increase in tourism revenues in the summer months, a positive course is expected in the current account balance.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 JUNE 2021

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

INTERIM ACTIVITY REPORT (Continued)

VII. Expectations Regarding the post - 2021 II. Interim Period (Continued)

In the second quarter of the year, the Covid-19 virus is still important for both social life and the Turkish economy. The measures taken by the government officials and the social policies implemented limit the negative effects of the virus on the Turkish economy, while preventing the deterioration of social peace. Looking at the time elapsed from the first day of the virus to this time; Compared to other countries, Turkey has written a serious success story in the fight against the virus, thanks to the planned and organized measures taken by the health authority in our country and the incentives provided by our government.

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