

**ZIRAAT KATILIM BANKASI
ANONIM SİRKETİ**

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 30 SEPTEMBER 2020 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 September 2020 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 nine-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 September 2020 TL 35.000 thousand of a free provision amounting to TL 80.000 thousand to be allocated as expense in prior years, provided by the Bank management, was canceled in the current period. Accordingly, the accompanying unconsolidated financial statements as at 30 September 2020 include a free provision amounting to TL 45.000 thousand 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 September 2020 and the results of its operations and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended 31 December 2019 and as at and for the nine-month period ended 30 September 2019 were audited and reviewed by another auditor who expressed a qualified opinion and qualified conclusion based on the reason represented in the section “Basis for the Qualified Conclusion” above thereon on 20 February 2020 and 14 November 2019, respectively.

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.

Zeynep URAS, SMMM
Partner

Istanbul, 4 November 2020



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

**UNCONSOLIDATED FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş
AS OF 30 SEPTEMBER 2020**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No:12 34112 Fatih / İSTANBUL

Phone: (212) 404 11 00

Facsimile: (212) 404 10 81

Website: www.ziraatkatilim.com.tr

E-mail: bilgi@ziraatkatilim.com.tr

The unconsolidated financial report for the nine-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 nine 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 , Member of
Corporate Management
Committee

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

Osman KARAKÜTÜK
Vice President of Treasury
Management and
International Banking

Gürkan ÇAKIR
Head of Financial
Management Department

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

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

Tel No : 0 216 559 22 53

Facsimile : 0 212 404 10 81

SECTION ONE
General Information about the Bank

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

SECTION TWO
Unconsolidated Financial Statements of the Bank

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

SECTION THREE
Accounting Principles

I. Explanations on basis of presentation	12-13
II. Explanations on strategy of using financial instruments and foreign currency transactions	13
III. Explanations on investments in associates and subsidiaries	13-15
IV. Explanations on forward and option contracts and derivative instruments	15
V. Explanations on profit share income and expense	15
VI. Explanations on fees and commission income and expenses	15
VII. Explanations on financial assets	16-17
VIII. Explanations on impairment of financial assets	18-21
IX. Explanations on offsetting of financial assets and liabilities	21
X. Explanations on sales and repurchase agreements and lending of securities	21
XI. Explanations on assets held for sale and discontinued operations and related liabilities	21-22
XII. Explanations on goodwill and other intangible assets	22
XIII. Explanations on tangible assets	22
XIV. Explanations on leasing transactions	23
XV. Explanations on provisions and contingent liabilities	24
XVI. Explanations on obligations related to employee rights	24-26
XVII. Explanations on taxation	26-27
XVIII. Explanations on additional disclosures on borrowings	28
XIX. Explanations on share certificates issued	28
XX. Explanations on acceptances	28
XXI. Explanations on government incentives	28
XXII. Explanations on cash and cash equivalent	28
XXIII. Explanations on segment reporting	28
XXIV. Explanations on other matters	28

SECTION FOUR
Explanations on the Financial Position and Risk Management of the Parent Bank

I. Explanations on shareholders' equity	29-34
II. Explanations on currency risk	34-35
III. Equity share position risk on banking accounts	36
IV. Explanations related to liquidity risk management and liquidity coverage ratio	36-41
V. Explanations on leverage ratio	42
VI. Explanations on securitization positions	42
VII. Explanations on risk management	42-43
VIII. Explanations on risk protection procedures	44
IX. Explanations on the operating segments	45-46

SECTION FIVE
Explanations and Notes Related to Unconsolidated Financial Statements

I. Explanations and notes related to assets	47-60
II. Explanations and notes related to liabilities	61-69
III. Explanations and notes related to off-balance sheet accounts	69-70
IV. Explanations and notes related to the statement of profit or loss	70-75
V. Explanations and notes related to the risk group of the bank	75-76
VI. Significant events and matters arising subsequent to balance sheet date	76

SECTION SIX
Other Explanations and Notes

I. Explanations on independent auditor's review report	77
II. Explanations and notes prepared by the independent auditors	77

SECTION SEVEN
Interim Activity Report

I. Assessment of Chairman	78
II. Assessment of General Manager	79-82
III. Shareholding Structure	82
IV. Amendments to the Articles of Association	82
V. Main Financial Indicators	83
VI. 2020 III. Interim activities	84-85
VII. Expectations regarding the post 2020 III. Interim period	86-87

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020

(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 2016 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 2018 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.

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

	30 September 2020		31 December 2019	
Name of Shareholders	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. (*)	1.750.000	99,9999996	1.750.000	99,9999996
Ziraat Sigorta A.Ş.	-	0,0000001	-	0,0000001
Ziraat 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020

(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

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Fikrettin AKSU ^(*)	Vice chairman of the BOD, Member of the Audit Committee , Member of Corporate Management Committee
Metin Özdemir	Member of the BOD, General Manager , Member of Pricing Committee, President of Credit Committee
Taner AKSEL	Member of the BOD, Member of Credit Committee, Member of Pricing Committee,
Ahmet BUÇUKOĞLU	Member of the BOD, Member of the Audit Committee, Associate Member of Credit Committee,
Hasan DURSUN	Member of the BOD, Member of Corporate Management Committee , Member of Credit Committee
Assistant General Manager	
Dr. Ahmet ORTATEPE	Credit Policies
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

(*) Fikrettin AKSU was appointed as a member of the Audit Committee as of 23 July 2020.

Chairman and members of the Board of Directors 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 (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	-
Türkiye Sigorta A.Ş.	-	0,0000001	-	-
Türkiye Hayat ve Emeklilik A.Ş.	-	0,0000001	-	-
Ziraat Teknoloji A.Ş.	-	0,0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	-
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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY – 30 SEPTEMBER 2020

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

V. EXPLANATIONS OF THE BANK’S SERVICES AND FIELD OF OPERATIONS (Continued)

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

As of 30 September 2020, the Bank operates with its 101 domestic branches (31 December 2019: 93 domestic branches) and 102 branches in total, including the Sudan branch, which started operations as of 27 August 2020 abroad. 1.234 (31 December: 1.129) employees domestically.

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 SEPTEMBER 2020

(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	Section (V)	Current Period (30/09/2020)			Prior Period (31/12/2019)		
	Note (I)	TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		5.110.711	7.686.652	12.797.363	2.190.417	4.024.699	6.215.116
1.1 Cash And Cash Equivalents		720.348	6.171.023	6.891.371	105.170	3.705.513	3.810.683
1.1.1 Cash And Balances With Central Bank	(1)	615.601	4.586.339	5.201.940	100.139	2.794.300	2.894.439
1.1.2 Banks	(2)	105.235	1.584.684	1.689.919	5.205	911.213	916.418
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)	(4)	488	-	488	174	-	174
1.2 Financial Assets Measured At Fair Value Through Profit/Loss		797.344	-	797.344	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		797.344	-	797.344	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(3)	3.591.698	1.504.865	5.096.563	2.085.220	301.717	2.386.937
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		10.414	-	10.414	7.672	-	7.672
1.3.3 Other Financial Assets		3.581.284	1.504.865	5.086.149	2.077.548	301.717	2.379.265
1.4 Derivative Financial Assets	(5)	1.321	10.764	12.085	27	17.469	17.496
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		1.321	10.764	12.085	27	17.469	17.496
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		27.209.254	13.438.654	40.647.908	18.004.119	11.534.815	29.538.934
2.1 Loans	(6)	25.460.965	10.633.486	36.094.451	17.045.982	8.862.682	25.908.664
2.2 Lease Receivables		2.530.892	2.348.519	4.879.411	1.531.983	2.124.383	3.656.366
2.3 Measured at Amortized Cost	(7)	-	766.486	766.486	-	547.750	547.750
2.3.1 Government Securities		-	766.486	766.486	-	547.750	547.750
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		782.603	309.837	1.092.440	573.846	-	573.846
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	101.545	-	101.545	104.069	-	104.069
3.1 Assets Held for Sale		101.545	-	101.545	104.069	-	104.069
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)	177.902	341	178.243	157.597	-	157.597
VI. INTANGIBLE ASSETS (Net)	(11)	147.516	-	147.516	120.641	-	120.641
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		147.516	-	147.516	120.641	-	120.641
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(14)	76.957	-	76.957	42.153	-	42.153
X. OTHER ASSETS	(15)	235.401	27.587	262.988	148.037	65.527	213.564
TOTAL ASSETS		33.059.386	21.153.234	54.212.620	20.767.133	15.625.041	36.392.174

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 SEPTEMBER 2020

(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	Section (V)	Current Period (30/09/2020)			Prior Period (31/12/2019)		
	Note (II)	TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	22.534.299	19.881.779	42.416.078	13.032.205	12.425.040	25.457.245
II. FUNDS BORROWED	(2)	3.857.563	1.604.739	5.462.302	2.857.534	3.121.136	5.978.670
III. MONEY MARKETS DEBTS	(3)	264.379	-	264.379	19.135	-	19.135
IV. SECURITIES ISSUED (Net)	(4)	-	-	-	-	-	-
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	956	-	956	19	12.460	12.479
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		956	-	956	19	12.460	12.479
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	114.738	15.878	130.616	97.792	12.267	110.059
VIII. PROVISIONS	(8)	219.224	188.459	407.683	189.634	45.645	235.279
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		41.109	-	41.109	35.712	-	35.712
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		178.115	188.459	366.574	153.922	45.645	199.567
IX. CURRENT TAX LIABILITY	(9)	91.705	26	91.731	122.393	-	122.393
X. DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
XI. LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
11.1 Held for Sale Purpose		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	300.260	754.430	1.054.690	312.351	537.338	849.689
12.1 Loans		300.260	754.430	1.054.690	312.351	537.338	849.689
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	576.013	182.013	758.026	363.592	76.805	440.397
XIV. SHAREHOLDERS' EQUITY	(14)	3.626.241	(82)	3.626.159	3.166.186	642	3.166.828
14.1 Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000
14.2 Capital Reserves		261.513	-	261.513	261.513	-	261.513
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	261.513	-	261.513
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(2.365)	-	(2.365)	(2.365)	-	(2.365)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		5.139	(82)	5.057	56.429	642	57.071
14.5 Profit Reserves		1.098.041	-	1.098.041	555.646	-	555.646
14.5.1 Legal Reserves		60.388	-	60.388	35.234	-	35.234
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		991.586	-	991.586	488.002	-	488.002
14.5.4 Other Profit Reserves		46.067	-	46.067	32.410	-	32.410
14.6 Profit or (Loss)		513.913	-	513.913	544.963	-	544.963
14.6.1 Prior Period Profit / Loss		2.568	-	2.568	28.228	-	28.228
14.6.2 Current Period Profit / Loss		511.345	-	511.345	516.735	-	516.735
TOTAL LIABILITIES		31.585.378	22.627.242	54.212.620	20.160.841	16.231.333	36.392.174

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 SEPTEMBER 2020

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Section (V) Note (III)	Thousands of Turkish lira					
		Current Period (30/09/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(I)	6.856.131	10.871.302	17.727.433	5.266.395	9.101.213	14.367.608
I. GUARANTEES AND WARRANTIES		6.361.430	9.019.653	15.381.083	4.926.966	6.401.171	11.328.137
1.1 Letters of Guarantee		6.224.781	5.951.454	12.176.235	4.892.685	4.488.870	9.381.555
1.1.1 Guarantees Subject to State Tender Law		144.485	1.647.635	1.792.120	119.125	1.304.053	1.423.178
1.1.2 Guarantees Given for Foreign Trade Operations		5.803.628	-	5.803.628	4.559.726	-	4.559.726
1.1.3 Other Letters of Guarantee		276.668	4.303.819	4.580.487	213.834	3.184.817	3.398.651
1.2 Bank Acceptances		-	6.238	6.238	-	18.753	18.753
1.2.1 Import Letter of Acceptance		-	6.238	6.238	-	18.753	18.753
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		30.077	1.185.476	1.215.553	29.071	954.074	983.145
1.3.1 Documentary Letters of Credit		30.077	1.185.476	1.215.553	29.071	954.074	983.145
1.3.2 Other Letters of Credit		-	-	-	-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5 Endorsements		-	-	-	-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2 Other Endorsements		-	-	-	-	-	-
1.6 Other Guarantees		97.493	1.874.685	1.972.178	-	939.474	939.474
1.7 Other Collaterals		9.079	1.800	10.879	5.210	-	5.210
II. COMMITMENTS	(I)	472.222	78.505	550.727	334.484	65.749	400.233
2.1 Irrevocable Commitments		472.222	78.505	550.727	334.484	65.749	400.233
2.1.1 Forward asset purchase commitments		33.735	78.505	112.240	42.995	65.749	108.744
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3 Loan Granting Commitments		-	-	-	-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6 Payment commitment for checks		232.693	-	232.693	157.323	-	157.323
2.1.7 Tax and Fund Liabilities from Export Commitments		14.929	-	14.929	11.509	-	11.509
2.1.8 Commitments for Credit Card Limits		27.142	-	27.142	-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
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		163.723	-	163.723	122.657	-	122.657
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		22.479	1.773.144	1.795.623	4.945	2.634.293	2.639.238
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		22.479	1.773.144	1.795.623	4.945	2.634.293	2.639.238
3.2.1 Forward Foreign Currency Buy/Sell Transactions		22.479	1.653.120	1.675.599	4.945	2.634.293	2.639.238
3.2.1.1 Forward Foreign Currency Transactions-Buy		17.315	825.158	842.473	4.945	1.317.991	1.322.936
3.2.1.2 Forward Foreign Currency Transactions-Sell		5.164	827.962	833.126	-	1.316.302	1.316.302
3.2.2 Other Forward Buy/Sell Transaction		-	120.024	120.024	-	-	-
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		44.595.996	6.642.720	51.238.716	30.357.632	4.147.848	34.505.480
IV. ITEMS HELD IN CUSTODY		5.684.062	3.237.138	8.921.200	4.972.403	1.315.878	6.288.281
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		5.027.675	-	5.027.675	4.448.877	-	4.448.877
4.3 Checks Received for Collection		572.135	80.477	652.612	438.873	95.040	533.913
4.4 Commercial Notes Received for Collection		62.050	18.380	80.430	55.181	13.204	68.385
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		22.202	554.721	576.923	29.472	347.982	377.454
4.8 Custodians		-	2.583.560	2.583.560	-	859.652	859.652
V. PLEDGES RECEIVED		38.911.934	3.405.582	42.317.516	25.385.229	2.831.970	28.217.199
5.1 Marketable Securities		4.766.732	93.177	4.859.909	907.668	150.109	1.057.777
5.2 Guarantee Notes		1.314.426	198.406	1.512.832	1.138.470	177.775	1.316.245
5.3 Commodity		2.065.856	850.978	2.916.834	1.493.748	544.166	2.037.914
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		25.881.605	1.186.091	27.067.696	17.783.352	1.032.354	18.815.706
5.6 Other Pledged Items		4.883.315	1.076.930	5.960.245	4.061.991	927.566	4.989.557
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		51.452.127	17.514.022	68.966.149	35.624.027	13.249.061	48.873.088

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS					
	Section (V)				
INCOME / EXPENSE ITEMS	Note (IV)	Current Period 01/01-30/09/2020	Prior Period 01/01-30/09/2019	Current Period 01/07-30/09/2020	Prior Period 01/07-30/09/2019
I. PROFIT SHARE INCOME	(1)	3.090.599	2.636.672	1.145.399	948.367
1.1 Profit Share on Loans		2.258.939	2.131.460	791.310	760.165
1.2 Profit Share on Reserve Deposits		11.869	38.107	4.942	12.530
1.3 Profit Share on Banks		22.475	507	22.475	84
1.4 Profit Share on Money Market Placements		-	-	-	-
1.5 Profit Share on Marketable Securities Portfolio		503.253	158.541	222.783	60.157
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		4.464	9.708	(32.453)	5.352
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		467.393	148.833	223.840	54.805
1.5.3 Financial Assets Measured at Amortised Cost		31.396	-	31.396	-
1.6 Financial Lease Income		279.426	281.577	96.911	98.846
1.7 Other Profit Share Income		14.637	26.480	6.978	16.585
II. PROFIT SHARE EXPENSE	(2)	1.391.691	1.716.928	509.871	593.623
2.1 Expense on Profit Sharing Accounts		964.231	1.182.707	355.153	405.709
2.2 Profit Share Expense on Funds Borrowed		376.122	504.027	128.888	180.142
2.3 Profit Share Expense on Money Market Borrowings		33.562	10.591	19.697	2.382
2.4 Expense on Securities Issued		-	4.604	-	-
2.5 Lease Profit Share Expense		17.768	14.981	6.133	5.390
2.6 Other Profit Share Expenses		8	18	-	-
III. NET PROFIT SHARE INCOME (I - II)		1.698.908	919.744	635.528	354.744
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		86.207	71.961	60.756	24.707
4.1 Fees and Commissions Received		164.529	105.732	91.046	38.610
4.1.1 Non-cash Loans		81.902	86.507	28.198	30.095
4.1.2 Other		82.627	19.225	62.848	8.515
4.2 Fees and commissions paid		78.322	33.771	30.290	13.903
4.2.1 Non-cash Loans		-	35	-	-
4.2.2 Other		78.322	33.736	30.290	13.903
V. DIVIDEND INCOME	(3)	104	24.837	-	-
VI. NET TRADING INCOME	(4)	81.228	52.518	45.093	16.493
6.1 Capital Market Transaction Gains / Losses		236.148	384	160.266	784
6.2 Gains / Losses From Derivative Financial Instruments		(53.769)	72.520	(60.077)	54.584
6.3 Foreign Exchange Gains / Losses		(101.151)	(20.386)	(55.096)	(38.875)
VII. OTHER OPERATING INCOME	(5)	176.778	150.206	61.674	38.676
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		2.043.225	1.219.266	803.051	434.620
IX. EXPECTED CREDIT LOSSES (-)	(6)	813.194	391.450	171.354	90.413
X. OTHER PROVISIONS (-)		195.714	19.637	93.996	6.544
XI. PERSONNEL EXPENSES (-)		175.371	136.524	58.183	44.524
XII. OTHER OPERATING EXPENSES (-)	(7)	223.666	168.376	76.576	52.120
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		635.280	503.279	402.942	241.019
XIV. INCOME RESULTED FROM MERGERS		-	-	-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XV)	(8)	635.280	503.279	402.942	241.019
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(123.935)	(117.089)	(29.979)	(64.979)
18.1 Current Tax Provision		(143.913)	(116.805)	(57.616)	(57.919)
18.2 Expense Effect of Deferred Tax (+)		(65.520)	(10.344)	(39.358)	(895)
18.3 Income Effect of Deferred Tax (-)		85.498	10.060	66.995	(6.165)
XIX. OPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)	(10)	511.345	386.190	372.963	176.040
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 (XXI±XXII)		-	-	-	-
XXV. NET PROFIT/LOSS (XVIII+XXIII)	(11)	511.345	386.190	372.963	176.040
Earnings per share income/loss (Full TL)		0,2922	0,2207	0,2131	0,1006

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020**

(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 01/01-30/09/2020	Prior Period 01/01-30/09/2019
I. CURRENT PERIOD PROFIT/LOSS	511.345	386.190
II. OTHER COMPREHENSIVE INCOME	(52.014)	47.809
2.1 Other Income/Expense Items not to be Reclassified to Profit or Loss	-	-
2.1.1 Revaluation Surplus on Tangible Assets	-	-
2.1.2 Revaluation Surplus on Intangible Assets	-	-
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 Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	-	-
2.2 Other Income/Expense Items to be Recycled to Profit or Loss	(52.014)	47.809
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(66.839)	61.251
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 Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	14.825	(13.442)
III. TOTAL COMPREHENSIVE INCOME (I+II)	459.331	433.999

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 NINE MONTH PERIOD ENDED 30 SEPTEMBER 2020

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

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY														
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)	Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Total Shareholders' Equity
Prior Period 1 January - 30 September 2019														
I. Prior Period End Balance	1.750.000	-	-	-	-	1.473	-	-	(39.807)	-	158.593	348.325	-	2.218.584
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	-	-	-	-	1.473	-	-	(39.807)	-	158.593	348.325	-	2.218.584
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	47.809	-	-	-	386.190	433.999
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 (*)	-	-	-	261.513	-	191	-	-	-	-	76.956	-	-	338.660
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	1.664	-	-	8.002	-	558.214	25.660	386.190	2.991.243
Current Period 1 January - 30 September 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. Effect of Correction of Errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2. Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.750.000	-	-	261.513	-	(2.365)	-	-	57.071	-	555.646	544.963	-	3.166.828
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	(52.014)	-	-	-	511.345	459.331
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/decrease by other Changes	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	542.395	(542.395)	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	542.395	(542.395)	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(2.365)	-	-	5.057	-	1.098.041	2.568	511.345	3.626.159

(*) Includes Ziraat Finansal Kiralama A.Ş. effects of TL 324.388 from the merger with the Board of Directors' decision dated 21 February 2019 and numbered 6/1.

ZİRAAT KATILIM BANKASI A.Ş.**UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2020**

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF CASH FLOWS			
	Section (V)	Current Period 01/01/2020 - 30/09/2020	Prior Period 01/01/2019 - 30/09/2019
	Note (VI)		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities)		(153.764)	(66.366)
1.1.1 Profit Share Income Received		2.653.873	2.367.287
1.1.2 Profit Share Expense Paid		(1.366.171)	(1.600.249)
1.1.3 Dividend Received		104	24.837
1.1.4 Fees and Commissions Received		95.436	71.961
1.1.5 Other Income		258.006	10.614
1.1.6 Collections from Previously Written-off Loans		66.840	55.169
1.1.7 Payments to Personnel and Service Suppliers		(175.371)	(145.401)
1.1.8 Taxes Paid		(39.098)	(91.346)
1.1.9 Others (*)		(1.647.383)	(759.238)
1.2 Changes in Operating Assets and Liabilities		4.035.833	2.579.457
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(621.665)	(29.173)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		(1.795.538)	(257.642)
1.2.3 Net (Increase) / Decrease in Loans		(10.185.787)	(3.358.356)
1.2.4 Net (Increase) / Decrease in Other Assets		(775.085)	701.418
1.2.5 Net Increase / (Decrease) in Bank Funds		4.796.835	1.343
1.2.6 Net Increase / (Decrease) in Other Funds		12.161.998	4.951.299
1.2.7 Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss		(11.523)	-
1.2.8 Net Increase / (Decrease) in Funds Borrowed		(501.567)	1.186.936
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities (*)		968.165	(616.368)
I. Net Cash Provided from Banking Operations		3.882.069	2.513.091
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		(2.767.543)	(1.938.863)
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		(84.661)	(35.175)
2.4 Disposals of Tangible Assets		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2.453.990)	(1.446.422)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortized Cost		(218.736)	(456.003)
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		(10.156)	(1.263)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		54.219	(639.161)
3.1 Cash Obtained from Funds Borrowed And Securities Issued		205.001	4.213.342
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		-	(4.862.310)
3.3 Issued Equity Instruments		(109.163)	11.513
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(41.619)	(24.045)
3.6 Other		-	22.339
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents		682.708	103.303
V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)		1.851.453	38.370
VI. Cash And Cash Equivalents At The Beginning Of The Period		1.063.929	1.145.532
VII. Cash And Cash Equivalents At The End Of The Period		2.915.382	1.183.902

(*) Includes effects of merger of Ziraat Finansal Kiralama A.Ş. with the decision of the Board of Directors dated 21 February 2019 and numbered 6/1.

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

SECTION THREE

EXPLANATIONS ON ACCOUNTING POLICIES

I. EXPLANATIONS ON BASIS OF PRESENTATION

a. Financial statements and related explanations and preparation of footnotes in compliance with Turkish Accounting Standards ("TAS") and "Regulation on Accounting Applications for Banks and Safeguarding of Documents"

The Bank prepares its financial statements in the "Regulation on the Procedures and Principles Regarding the Accounting Practices and Keeping Documents of Banks" published in the Official Gazette dated 1 November 2006 and numbered 26333 and other regulations published by the Banking Regulation and Supervision Agency regarding the accounts and recording order of banks, as well as the Banking Regulation and Supervision Agency. Supervision Agency ("BRSA") circulars and descriptions and issues not regulated by these Public Oversight Accounting and Auditing Standards Board ("UPS") by which was enacted Turkey Accounting Standard 34 ("IAS 34") Interim Financial Reporting Standard and Turkey Financial Reporting Including the provisions of the Standards ("TFRS"); It is issued in accordance with the "BRSA Accounting and Financial Reporting Legislation".

The format and content of the unconsolidated financial statements to be announced to the public and their explanations and footnotes were published in the Official Gazette No. 28337 dated 28 June 2012, "Communiqué on Financial Statements to be Announced to the Public by Banks and the Related Explanations and Footnotes" and dated 23 October 2015 and numbered 29511. It has been prepared in accordance with the "Communiqué on Public Disclosures on Risk Management by Banks" published in the Official Gazette and the communiqués that add and amend to this communiqué. The Bank keeps its accounting records in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish tax legislation.

Unless otherwise stated on the basis of historical cost, all balances are presented in thousands of Turkish lira ("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.

A new type of coronavirus (COVID-19), first emerging in China, has been classified by the World Health Organization as an epidemic affecting countries globally. The COVID-19 outbreak not only affects economic conditions both regionally and globally, as well as it causes disruptions in operations, especially in countries exposed to the epidemic. The effects of these effects on the Bank's financial statements are regularly monitored by the risk monitoring units and the Bank's Management.

While preparing the interim financial statements dated September 30, 2020, the Bank reflected the possible effects of the COVID-19 outbreak on the estimates and judgments used in the preparation of the financial statements. 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. The estimates and assumptions used in calculating expected credit losses are explained in footnote VIII.

As of September 30, 2020, the Bank has no assets or liabilities in the latest fair value hierarchy that would require any adjustment.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

I. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

b. Explanation for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards (“IFRS”) have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying 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 USAGE STRATEGY OF FINANCIAL ASSETS 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. The Company has started to operate after theregistration on 8 September 2017.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES (Continued)

Accounting for business combinations under common control

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

ACCOUNTING PRINCIPLES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES AND SUBSIDIARIES (Continued)

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

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

Ziraat Finansal Kiralama A.Ş. merged with the bank. As a result of the merger, 24% of Ziraat Finansal Kiralama A.Ş.'s shares in Ziraat Yatırım A.Ş. were transferred to the Bank. All of the shares with a nominal value of TL 14,400, corresponding to 24% of the current issued capital of Ziraat Yatırım Menkul Değerler A.Ş., registered under the registration number 364979, was transferred to TC Ziraat Bankası A.Ş.

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 financial instruments of the Bank are classified under “IFRS 9 Financial Instruments” (“IFRS 9”), “Derivative Financial Assets at Fair Value through Profit or Loss” or “Derivative Financial Assets at Fair Value through Other Comprehensive Income”.

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

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

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

Profit share incomes are recognized in accordance with internal rate of return method. The Bank 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

Commission income from banking, agency, intermediary services is recognized as income on the date collected. 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. Other fees and commission expenses are recorded as expense on the date they are paid.

Commissions and fees received from cash loans and relating to the future periods are recorded to the “Unearned Revenues” account under “Other Liabilities” on the balance sheet.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

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.

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

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

As of 30 September 2020, the Bank has reviewed the valuation of financial assets and liabilities at fair value through profit or loss due to the adverse effects of the COVID-19 epidemic, and as of the reporting date, there is no change in the fair valuation measurement.

On the other hand, the Bank evaluated the effects of the COVID-19 outbreak regarding financial instruments whose fair value hierarchy was determined as Level 3 as it contains important estimates and judgments.

b. Financial assets at fair value through other comprehensive income

In addition to Financial assets within a business model that aims to hold to collect contractual cash flows and aims to hold to sell, financial asset with contractual terms that lead to cash flows are solely payments of principal and profit share at certain dates, they are classified as fair value through other comprehensive income.

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets at fair value through other comprehensive income (Continued)

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

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

As of 30 September 2020, the Bank has reviewed the valuation of financial assets whose fair value difference is reflected in other comprehensive income due to the negative effects of the COVID-19 epidemic, and as of the reporting date, there is no change in the fair valuation measurement that will require any correction.

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".

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; 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.

A financial asset is classified as a financial asset measured at amortized cost when the financial asset is retained within the scope of a business model that aims to collect contractual cash flows and the contract terms of the financial asset result in cash flows that include interest payments on principal and principal balance only at certain dates.

Financial assets at amortized cost

A financial asset is classified as a amortized cost if the financial asset is held under a business model that aims to collect contractual cash flows and the contractual conditions for the financial asset only result in cash flows that include interest payments due to principal and principal balance at certain dates.

Financial assets measured at amortized cost are first recorded at acquisition cost values reflecting their fair values and are measured at "Amortized cost" using the "Effective interest rate method" after they are recorded. Profit share income related to financial assets measured at amortized cost are reflected in the statement of profit or loss.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

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

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

Impairment

As of 1 January 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside”. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9.

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Impairment (Continued)

Significant increase in credit risk (Stage 2)

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2. The expected loss provision is calculated for loans under stage 1 by calculating the 1-year maturity, while the expected loss provision for loans under stage 2 is calculated by taking into consideration the remaining maturity. The main criteria taken into consideration in determining the credit risk of the financial asset to be significantly increased and transferred to the second stage are the close monitoring, the number of delay days being 30 and above, and the Bank's internal early warning system note.

Default (Stage 3 / Special Provision)

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 December 31, 2020, 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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Loss Given Default

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

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are the ratio of Gross Domestic Product (GDP) and Consumer Price Index (CPI). Macroeconomic estimation models include more than one scenario and the related scenarios are taken into account in the expected credit loss calculations.

Other

After the coronavirus cases (COVID-19) in China in the last quarter of 2019, COVID-19 was classified as a global epidemic by the World Health Organization. The effects of the outbreak on the global and national economy are regularly monitored by the Bank on the Bank's financial statements.

While preparing the interim financial statements dated September 30, 2020, the Bank reflected the possible effects of the COVID-19 outbreak on its estimates and evaluations used in the preparation of the financial statements.

30 - 90 Days

Pursuant to the BRSA's decision numbered 8970, dated March 27, 2020, the Bank reserves 12-month expected loan loss provision for loans that have a delay of 30 to 90 days until 31 December 2020, and continue to be classified in Group 1. However, according to the Bank's risk models, the Probability of Default and Loss On Default parameters are taken into account as higher than other loans in Stage 1, since the number of delay days in related loans is more than 30 days.

90 - 180 Days

In accordance with the BRSA Decision No. 8948 dated March 17, 2020, it is delayed between 90 and 180 days from March 17, 2020, until December 31, 2020, with a 100% lifetime taking into account the probability of default. allocates provision for the expected credit loss. However, according to the Bank's risk models, Loss in Default is a factor that increases with aging for Stage 3, which is taken into account in the same way as other loans in Stage 2.

Expected Credit Loss (ECL) - Macroeconomic information

The Bank uses 3 scenarios as base, bad and good in forward-looking expectations. All 3 scenarios have predetermined weights. The Bank applies the macroeconomic variables used in the assessment of significant increase in credit risk and the expected credit loss calculation to its models every 3 months, in March, June, September and December. The macroeconomic variables based on the ECL calculation were updated as of 30 September 2020 and the current market effect was reflected in the ECL calculation.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Liquidity risk

The Bank has a proactive approach to keep liquidity adequacy levels at high levels against possible crisis situations in the management of liquidity risk. It closely monitors its liquidity adequacy daily and creates the necessary action plans. Thanks to this approach, it is seen that the negative impact of the COVID-19 outbreak on the Bank's liquidity need is minimal.

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

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

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

In order for lease certificates to be subject to open market transactions in the Central Bank of the Republic of Turkey in accordance with the principles of participation banking, relevant changes were made and separate framework agreements were drawn up for participation banks. With these regulations, a transaction type has been created that allows participation banks to make transactions with the Central Bank of the Republic of Turkey in cases where they need funds or in the context of buying with the promise of lease repurchase or resale in their portfolios in order to evaluate excess liquidity. By submitting bids to purchase auctions held by the Central Bank of the Republic of Turkey, the lease certificates included in the assets of the balance sheet are subject to sales with the promise of repurchase and funds are provided within this scope. As of September 30, 2020, the Bank does not have any marketable securities lending (December 31, 2019: 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

ACCOUNTING PRINCIPLES (Continued)

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

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 September 2020, the Bank's held for sale tangible assets is TL 101.545 (31 December 2019: TL 104.069).

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 by using the straight line method based on their useful life. Useful life of other intangible assets are determined by the consideration of items as; useful life of asset, maintenance costs incurred to obtain expected economic benefit from assets and technical, technological or any other type of obsolescence.

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.

XIII. EXPLANATIONS ON TANGIBLE ASSETS

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

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

Applied depreciation rates are as follows;

Vehicles and Fixtures	: 2% - 33%
Operational Lease Improvement Costs (Leasehold Improvements)	: Leasing Period - 5 years

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

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

There is no tangible assets that are held for sale.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

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

Right of use;

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

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

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

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

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

Lease Liabilities

At the date of the effective leasing of the lease, the Parent 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 Bank participates in leasing transactions as lessor. The Bank presents the leased assets as a receivable equal to the net leasing investment amount in the balance sheet. The total of the lease payments is gross in the financial leasing receivables account including the dividends and principal amounts. The profit share, which is the difference between the total of the lease payments and the cost of the related fixed assets, is included in the unearned finance lease income account. As the lease payments are realized, the rent amount is deducted from the financial lease receivables account; The profit share is reflected in the statement of profit or loss by deducting from the unearned profit share income account.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

XV. EXPLANATIONS ON PROVISIONS, CONTINGENT ASSET AND LIABILITIES

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

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

Liabilities related to severance pay and right to leave calculated according to the regulations of the TAS 19 “Accounting Standard of Employee Benefits”.

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’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 30 September 2020, the Bank’s employee termination benefit is TL 11.819 (31 December 2019: TL 8.662).

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 September 2020 unused vacation liability of the Bank is TL 6.580 (31 December 2019: TL 6.050).

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (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. Provisional article 23 of the Banking Act No: 5411 requires the Bank's pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers' decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

Immediately after the publication of the reasoning of the cancellation decision of the Constitutional Court's Grand National Assembly of Turkey (TBMM) envisages transferred to SSI of bank pension participations to start working on new regulations and 17 April 2008 5754 Social Security Act (the "New Law The relevant articles regulating the principles regarding the transfer were accepted by the General Assembly of the Turkish Grand National Assembly and entered into force after being published in the Official Gazette dated 8 May 2008 and numbered 26870.

The new law decrees that the contributors of the bank pension funds, the ones who receive salaries or income from these funds and their rightful beneficiaries will be transferred to the Social Security Institution and will be subject to this Law within 3 years after the release date of the related article, without any need for further operation. The three year transfer period can be prolonged for maximum 2 years by the Cabinet decision. In accordance with the related legislation, as of the transfer date, the income and expenses of the transferred funds will be considered by the insurance branches and the cash value of the liabilities will be calculated with the actuarial interest rate 9,8%. Moreover, after the transfer to SSI, 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.

According to the 58th And the temporary 7th Article of the Banking Law, the sentence which states that the banks cannot transfer funds in order to fulfill the deficit of the Funds from 1 January 2008, has been postponed up to five years.

For the personnel of banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, stock exchanges or their associations within the scope of provisional article 20 of the Law No.506 with the Council of Ministers Decree No. 2011/1559 published in the Official Gazette dated April 9, 2011 and numbered 27900 it has been decided to extend the period of two years regarding the transfer of the participants of the funds that have been established, and those who receive pension or income and their right holders to the Social Security Institution.

In addition, by the Law numbered 6283 and the second sentence of the law numbered 5510;"Emendating Social Security and General Health Insurance Act", which was published on the Official Gazette dated 8 March 2012 and numbered 28227, this period of 2 years has been raised to 4 years.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

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

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.

Finally; Article 51 of Law No. 6645 published in the Official Gazette dated April 23, 2015 and the first paragraph of the provisional Article 20 of the Law No. 5510 on the transfer of Bank and Insurance Funds to SSI; "The participants of the funds established for the personnel of banks, insurance and reinsurance companies, chambers of commerce, chambers of industry, exchanges or their associations within the scope of the provisional article 20 of the Law No. 506, and those who have pension or income and their right holders to the Social Security Institution. The Council of Ministers is authorized to determine the date of transfer. As of the transfer date, fund participants are deemed to be insured within the scope of item (a) of the first paragraph of Article 4 of this law." It has been changed. Thus, with the amendment made, the Council of Ministers was given the authority to determine the date of transfer of funds to SSI without any time limit. Based on the decision of the Council of Ministers dated February 24, 2014; May 2015 has been 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. The Council of Ministers was authorized to determine the date of transfer, and the President was authorized to determine the date of transfer in the Official Gazette numbered 30473 on 9 July 2018..

The technical balance sheet report as of 31 December 2019 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

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

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

Institutions calculate temporary taxes over their quarterly financial profits at the current rate, declare and pay until the 17th day of the second month following that period until a new determination is made in line with the Tax Procedure Law Circular No. 115 dated 29 March 2019. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated over the corporate tax return to be submitted in the following year. Despite the offset, if there is a prepaid tax amount left, this amount can be refunded or offset against 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%).

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

ACCOUNTING PRINCIPLES (Continued)

XVII. EXPLANATIONS ON TAXATION (Continued)

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, 50% of real estates, and 75% 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.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. The corporate tax returns are given to the tax office and the accrued tax is paid until the evening of the fourth month following the month in which the accounting period is closed until a new determination is made in accordance with the Circular of the Tax Procedure Law No. 115 dated March 29, 2019. However, the authorities authorized for tax inspection can review the accounting records for five years and the amount of tax payable may change if a faulty transaction is detected.

b. Deferred tax

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax", 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.

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.

The deferred tax benefit is not taken into account in profit distribution in accordance with the relevant circular of BRSA.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

ACCOUNTING PRINCIPLES (Continued)

XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS

Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. 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

None.

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.

XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

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

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

XXIII. EXPLANATION ON SEGMENT REPORTING

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

XXIV. EXPLANATIONS ON OTHER MATTERS

None.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

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 3397 dated 23 March 2020. Based on recent regulation changes:

- In calculating the amount subject to credit risk, the purchase rate of foreign exchange, which is the basis for the preparation of the financial statements dated 31 December 2019, can be used while calculating the valued amounts in foreign currency.
- As of 23 March 2020, if the net valuation differences of the securities held by banks in the portfolio of "Financial Assets at Fair Value through Other Comprehensive Income" are negative, these differences may not be taken into consideration in the equity amount.

As of 30 September 2020 current period capital amount of the Bank is TL 4.606.401 (31 December 2019: TL 3.901.711), and capital adequacy standard ratio is 15,68% (31 December 2019: 16,58%).

Information Related To The Components of Shareholders' Equity:

	Current Period 30.09.2020	Prior Period 31.12.2019
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	1.098.041	817.159
Gains recognized in equity as per TAS	264.205	54.706
Profit	513.913	544.963
Current Period Profit	511.345	516.735
Prior Period Profit	2.568	28.228
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	-
Common Equity Tier 1 Capital Before Deductions	3.626.159	3.166.828
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	-
Portion of the current and prior periods' losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	-
Improvement costs for operating leasing	20.036	20.234
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	147.516	120.641
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	-
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	-
Gains arising from securitization transactions	-	-
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	-
Defined-benefit pension fund net assets	-	-
Direct and indirect investments of the Bank in its own Common Equity	-	-
Shares obtained contrary to the 4th clause of the 56th Article of the Law	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	-
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	-
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	-
Amount exceeding 15% of the common equity as per the 2nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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 Related To The Components of Shareholders' Equity: (Continued)

	Current Period 30.09.2020	Prior Period 31.12.2019
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier I Capital	167.552	140.875
Total Common Equity Tier I Capital	3.458.607	3.025.953
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA (**)	702.569	519.350
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 deduce 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 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital	702.569	519.350
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	4.161.176	3.545.303
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA (***)	300.000	300.000
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	148.361	57.294
Tier II Capital Before Deductions	448.361	357.294
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	448.361	357.294
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.609.537	3.902.597

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

	Current Period 30.09.2020	Prior Period 31.12.2019
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 (-)	3.136	886
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 (**)	4.606.401	3.901.711
Total risk weighted amounts	29.380.959	23.533.881
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,77	12,86
Tier I Capital Adequacy Ratio	14,16	15,06
Capital Adequacy Ratio	15,68	16,58
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	7,27	8,36
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)	148.361	57.294
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	148.361	57.294
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
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	-	-

(*) Amount to be considered within the scope of transition provisions.

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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	Ziraat Katılım 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 Loan
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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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: (Continued)

Issuer	Ziraat Katılım 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)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 703 Million
Par value of instrument	TL 900 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, (no conditional refund)
Subsequent call dates, if applicable	-
Coupons / dividends (*)	
Fixed or floating dividend/coupon	-
Coupon rate and any related index	-
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)	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 incompliance with article number 7 and 8 of "Own fund regulation"	In compliance with Article number 7

(*) Profit share for participation banks.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Equity value of balance sheet	3.626.159	3.166.828
Cost of development of operating lease	(20.036)	(20.234)
Goodwill and other intangible assets and related deferred tax liability	(147.516)	(120.641)
Debt instruments and premiums approved by BRSA	1.002.569	819.350
Tier II Capital	148.361	57.294
Defined-benefit pension fund net assets	-	-
Debt instruments and premiums approved by BRSA - subordinated loans		
Other values deducted from equity	(3.136)	(886)
Amount taken into consideration in the calculation of legal equity	4.606.401	3.901.711

Shareholders' equity and capital adequacy ratio were calculated within the framework of "Regulation on Banks' Equity" and "Regulation on Measurement and Assessment of Capital Adequacy of Banks".

In addition to these, according to BRSA regulations dated 23 March 2020 and numbered 3397; In the capital adequacy calculations to be performed until December 31, 2020, the amount subject to credit risk can be calculated with the foreign exchange buying rate as the basis for the preparation of the financial statements dated December 31, 2019, and as of the disclosure date, the securities in the "Fair Value Differences Reflected in Other Comprehensive Income" portfolio. In case the net valuation differences are negative, the amount of equity to be used can be calculated without taking these differences into consideration. As of 30 September 2020, the Bank has made legal capital adequacy ratio calculations without taking into account these measures

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", "Repricing Gap Analysis" and "Structural Liquidity Gap Analysis" which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at USD and Euro, which are mainly used by the Bank in its operations. 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 SEPTEMBER 2020

(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)

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
30.09.2020	7,6767	9,0017	5,4736	1,2035	0,8534	8,3384	5,6904	0,8162	9,8740	2,0313	7,2010
29.09.2020	7,8157	9,1662	5,5338	1,2251	0,8671	8,4599	5,7697	0,8243	9,9844	2,0681	7,3200
28.09.2020	7,7597	9,0338	5,4417	1,2073	0,8504	8,3495	5,7343	0,8118	9,9105	2,0534	7,2720
25.09.2020	7,6323	8,8664	5,3280	1,1849	0,8328	8,1965	5,6363	0,7925	9,6467	2,0196	7,1510
24.09.2020	7,6198	8,8686	5,3238	1,1856	0,8293	8,1945	5,6275	0,7908	9,6378	2,0161	7,1520
23.09.2020	7,6788	8,9626	5,4277	1,1979	0,8503	8,2955	5,6893	0,8096	9,7529	2,0317	7,2200

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
7,5210	8,8600	5,4028	1,1847	0,8454	8,1994	5,6285	0,8174	9,6847	1,9901	7,0503

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	1.343.385	1.989.167	1.253.787	4.586.339
Banks	277.850	416.483	890.351	1.584.684
Financial assets at fair value through profit and loss ^(***)	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	271.782	1.233.083	-	1.504.865
Loans ^(*)	7.984.311	5.084.686	-	13.068.997
Equity Investments	-	-	-	-
Financial assets measured at amortised cost	766.486	-	-	766.486
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	341	341
Intangible assets (net)	-	-	-	-
Other assets	21.743	10.809	5.799	38.351
Total assets	10.665.557	8.734.228	2.150.278	21.550.063
Liabilities				
Current account and funds collected from Banks via participation accounts	26	125	-	151
Current and profit sharing accounts FC	7.495.069	9.552.800	2.833.759	19.881.628
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	1.528.158	76.581	-	1.604.739
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities ^(****)	1.033.000	102.711	5.095	1.140.806
Total liabilities	10.056.253	9.732.217	2.838.854	22.627.324
Net balance sheet position	609.304	(997.989)	(688.576)	(1.077.261)
Net off-balance sheet position ^(**)	(805.652)	802.848	2.090	(714)
Financial derivative assets	4.501	820.657	61.057	886.215
Financial derivative liabilities	810.153	17.809	58.967	886.929
Non-cash loans	5.614.192	3.296.017	109.444	9.019.653
Prior Period				
Total assets	8.991.264	6.308.602	991.454	16.291.320
Total liabilities	7.620.980	7.671.150	926.101	16.218.231
Net balance sheet position	1.370.284	(1.362.548)	65.353	73.089
Net off-balance sheet position	(1.316.302)	1.317.991	-	1.689
Financial derivative assets	-	1.317.991	-	1.317.991
Financial derivative liabilities	1.316.302	-	-	1.316.302
Non-cash loans	3.528.070	2.792.756	80.345	6.401.171

(*) The financial leases and foreign currency indexed loan with an amounts of TL 125.665 equivalent balance to USD and TL 271.164 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 68% Gold, 3% AED, 2% GBP, 2% SAR, and the remaining 2% other currencies. 95% of the currencies in the FC column of liabilities section consist of %95 Gold, 1% GBP, and the remaining 3% other currencies.

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)**

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 10.414 all of which are 100% risk weighted (31 December 2019: TL 10.672).

**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.

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.

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.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)**

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

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

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

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

Although 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.

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

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

Within the framework of the "Regulation on the Calculation of the Liquidity Coverage Ratio of Banks" published by the BRSA in the Official Gazette dated 21 March 2014 and numbered 28948, the Bank calculates the Liquidity Coverage Ratio and sends it to the BRSA on a weekly unconsolidated basis and monthly on a consolidated basis. The consolidated rates for the last three months were respectively July FC 301.32, TL + FC 110.65; August FC 344.95, TL + FC 91.15; September FC 334.90, TL + FC 90.27. (31 December 2019: Consolidated rates in the last three months are respectively October FC 355.77, TL + FC 252.74; November FC 367.79, TL + FC 279.22; December FC 403.36, TL + FC 296.99 realized as.)

Current Period 30.09.2020	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	8.175.925	5.223.431	8.175.925	5.223.431
High quality liquid assets	-	-	8.175.925	5.223.431
CASH OUTFLOWS	49.199.362	22.644.701	15.646.329	5.494.364
Real person deposits and retail deposits	17.006.129	9.730.963	1.627.862	1.003.243
Stable deposit	2.767.809	-	138.391	-
Deposit with low stability	14.238.320	9.730.963	1.489.471	1.003.243
Unsecured debts except real person deposits and retail deposits	19.818.407	6.720.508	12.111.823	2.973.277
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	19.818.407	6.720.508	12.111.823	2.973.277
Secured debts	-	-	-	-
Other cash outflows	12.374.826	6.193.230	1.906.644	1.517.844
Derivative liabilities and margin obligations	1.529.247	1.154.114	1.235.767	1.154.114
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	445.597	511.271	150.878	137.338
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	10.399.982	4.527.845	519.999	226.392
TOTAL CASH OUTFLOWS	49.199.362	22.644.701	15.646.329	5.494.364
CASH INFLOWS	7.851.690	4.277.126	6.952.080	3.951.949
Secured receivables	-	-	-	-
Unsecured claims	6.622.524	3.094.896	5.722.914	2.769.719
Other cash inflows	1.229.166	1.182.230	1.229.166	1.182.230
TOTAL CASH INFLOWS	7.851.690	4.277.126	6.952.080	3.951.949
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	8.175.925	5.223.431
TOTAL NET CASH OUTFLOWS	-	-	8.694.249	1.542.415
LIQUIDITY COVERAGE RATIO (%)	-	-	94	339

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

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

Prior Period 31.12.2019	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	4.906.883	3.146.170	4.906.883	3.146.170
High quality liquid assets	-	-	4.906.883	3.146.170
CASH OUTFLOWS	28.512.578	12.835.438	7.034.914	3.362.157
Real person deposits and retail deposits	12.003.597	6.269.508	1.090.633	626.951
Stable deposit	2.194.536	-	109.727	-
Deposit with low stability	9.809.061	6.269.508	980.906	626.951
Unsecured debts except real person deposits and retail deposits	8.359.826	3.359.697	4.486.838	1.564.046
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	8.359.826	3.359.697	4.486.838	1.564.046
Secured debts	-	-	-	-
Other cash outflows	8.149.155	3.206.233	1.457.443	1.171.160
Derivative liabilities and margin obligations	1.038.185	1.005.034	1.037.787	1.005.034
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	247.990	224.613	76.507	67.297
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.862.980	1.976.586	343.149	98.829
TOTAL CASH OUTFLOWS	28.512.578	12.835.439	7.034.914	3.362.157
CASH INFLOWS	7.195.386	3.619.277	6.247.901	3.355.456
Secured receivables	-	-	-	-
Unsecured claims	6.157.682	2.614.681	5.210.197	2.350.860
Other cash inflows	1.037.704	1.004.596	1.037.704	1.004.596
TOTAL CASH INFLOWS	7.195.386	3.619.277	6.247.901	3.355.456
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	4.906.883	3.146.170
TOTAL NET CASH OUTFLOWS	-	-	1.758.729	840.539
LIQUIDITY COVERAGE RATIO (%)	-	-	279	374

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

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								
30.09.2020								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ^(*)	1.149.320	4.052.213	-	-	-	-	-	5.201.533
Banks ^(*)	1.229.030	460.808	-	-	-	-	-	1.689.838
Financial Assets at Fair Value Through Profit and Loss	-	-	-	417.234	380.110	-	-	797.344
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	21.888	531.301	1.382.821	3.150.139	-	10.414	5.096.563
Loans Given	-	1.579.802	1.696.649	6.912.762	21.554.055	7.846.771	291.383	39.881.422
Financial Assets Measured at Amortised Cost	-	-	-	-	766.486	-	-	766.486
Other Assets ^(**)	-	-	-	-	-	-	779.434	779.434
Total Assets	2.378.350	6.114.711	2.227.950	8.712.817	25.850.790	7.846.771	1.081.231	54.212.620
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	14.551.791	-	-	-	-	-	-	4.551.791
Current and Participation Accounts	6.553.732	23.210.339	5.574.417	2.496.426	29.373	-	-	37.864.287
Funds Provided from Other Financial Instruments	-	917.536	2.747.023	1.189.577	560.839	47.327	-	5.462.302
Money Market Borrowings	-	264.379	-	-	-	-	-	264.379
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities ^(***)	-	-	-	-	1.054.690	-	5.015.171	6.069.861
Total Liabilities	11.105.523	24.392.254	8.321.440	3.686.003	1.644.902	47.327	5.015.171	54.212.620
Liquidity Gap	(8.727.173)	(18.277.543)	(6.093.490)	5.026.814	24.205.888	7.799.444	(3.933.940)	-
Net Off-Balance Sheet Position	-	9.381	(596)	2.652	-	-	-	11.437
Receivables From Derivative Financial Instruments	-	826.625	8.196	68.709	-	-	-	903.530
Financial Derivative Liabilities	-	817.244	8.792	66.057	-	-	-	892.093
Non-Cash Loans	2.379.209	915.391	1.344.743	5.505.843	4.807.128	428.769	-	15.381.083

(*) 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

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 31.12.2019								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey (*)	418.735	2.475.665	-	-	-	-	-	2.894.400
Banks (*)	916.283	-	-	-	-	-	-	916.283
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	3.594	349.212	583.141	1.443.318	-	7.672	2.386.937
Loans Given	-	7.029.842	1.338.998	5.654.593	12.044.093	2.923.658	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	-	-	547.750	-	-	547.750
Other Assets (**)	-	-	-	-	-	-	655.620	655.620
Total Assets	1.335.018	9.509.101	1.688.210	6.237.734	14.035.161	2.923.658	663.292	36.392.174
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	123	-	-	-	-	-	-	123
Current and Participation Accounts	4.138.185	13.556.021	4.268.215	3.264.383	230.318	-	-	25.457.122
Funds Provided from Other Financial Instruments	-	793.938	1.486.028	3.047.370	575.484	75.850	-	5.978.670
Money Market Borrowings	-	19.135	-	-	-	-	-	19.135
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities (***)	-	-	-	-	849.689	-	4.087.435	4.937.124
Total Liabilities	4.138.308	14.369.094	5.754.243	6.311.753	1.655.491	75.850	4.087.435	36.392.174
Liquidity Gap	(2.803.290)	(4.859.993)	(4.066.033)	(74.019)	12.379.670	2.847.808	(3.424.143)	-
Net Off-Balance Sheet Position	-	(11.580)	18.056	158	-	-	-	6.634
Receivables From Derivative Financial Instruments	-	1.186.774	133.020	3.142	-	-	-	1.322.936
Financial Derivative Liabilities	-	1.198.354	114.964	2.984	-	-	-	1.316.302
Non-Cash Loans	2.018.432	487.579	1.480.078	4.981.773	2.136.365	223.910	-	11.328.137

(*) 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 September 2020, the leverage ratio of the Bank calculated from the average of three months is 5.9%. (31 December 2019: 7,7%). 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 ^(*) 30.09.2020	Prior Period ^(*) 31.12.2019
Balance sheet assets		
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	52.945.908	33.912.199
(Assets deducted from main capital)	(163.621)	(136.619)
Total risk amount of the balance sheet assets	52.782.287	33.775.580
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	5.694	20.334
Potential credit risk amount of derivative financial instruments and credit derivatives	12.693	14.549
Total risk amount of derivative financial instruments and credit derivative	18.387	34.883
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	151.279	65.054
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	151.279	65.054
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	15.805.427	11.309.929
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	15.805.427	11.309.929
Equity and total risk		
Main capital	4.049.124	3.486.792
Total risk amount	68.757.380	45.185.446
Leverage ratio		
Leverage ratio %	5,98	7,7

(*) 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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)

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 analyses, 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 30.09.2020	Prior Period 31.12.2019	Current Period 30.09.2020
1	Credit risk (excluding counterparty credit risk) (CCR)	26.877.864	22.300.429	2.150.229
2	Standardized approach (SA)	26.877.864	22.300.429	2.150.229
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	181.442	45.469	14.515
5	Standardized approach for counterparty credit risk (SA-CCR)	181.442	45.469	14.515
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	489.929	183.570	39.194
17	Standardized approach (SA)	489.929	183.570	39.194
18	Internal model approaches (IMM)	-	-	-
19	Operational risk (*)	1.831.724	1.004.413	146.538
20	Basic Indicator approach	1.831.724	1.004.413	146.538
21	Standard approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	29.380.959	23.533.881	2.350.477

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)**

VIII. EXPLANATIONS ON RISK PROTECTION PROCEDURES

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

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

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

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

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

Within the scope of the footnotes and related explanations prepared in accordance with the "Communiqué on Public Disclosure by the Banks" published in the Official Gazette dated 23 October 2015 and numbered 29511 by the BRSA and entered into force as of 31 March 2016, it is given annually and quarterly. The following required tables are not presented as of 30 September 2020 as the standard approach is used in the calculation of the Bank's credit risk:

Qualitative information regarding IRB to be disclosed to the public

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

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

Statement of changes in RWA under IRB approach

IRB - Retrospective testing of default probabilities in each risk class

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

IX. 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 September 2020	Private Banking	Corporate / Entrepreneurial Banking	Treasury/ Investment Banking	Other	Total
OPERATING INCOME / EXPENSES					
Profit Shares Income	255.251	2.003.688	537.597	294.063	3.090.599
Profit Shares from Loans	255.251	2.003.688	-	-	2.258.939
Profit Shares from Banks	-	-	22.475	-	22.475
Profit Shares from Securities	-	-	503.253	-	503.253
Other Profit Shares	-	-	11.869	294.063	305.932
Profit Shares Expense	476.253	487.978	409.684	17.776	1.391.691
Profit Shares Expense on Participation Funds	476.253	487.978	-	-	964.231
Profit Shares Expense on Funds Borrowed	-	-	376.122	-	376.122
Profit Shares Expense on Money Market Transactions	-	-	33.562	-	33.562
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	17.776	17.776
Net Profit Shares Income/Expense	(221.002)	1.515.710	127.913	276.287	1.698.908
Net Fees and Commission Income/Expense	12.750	81.902	-	(8.445)	86.207
Fees and Commissions Received	12.750	81.902	-	69.877	164.529
Fees and Commissions Paid	-	-	-	78.322	78.322
Dividend Income	-	-	104	-	104
Trading Income/Loss (Net)	-	-	81.228	-	81.228
Other Operating Income	-	255	-	176.523	176.778
Provision for Loans or Other Receivables Losses	82.311	595.789	-	135.094	813.194
Other Provision expense	-	-	-	195.714	195.714
Personnel Expenses	-	-	-	175.371	175.371
Other Operating Expense	-	2.938	-	220.728	223.666
Income Before Tax	(290.563)	999.140	209.245	(282.542)	635.280
Tax Provision	-	-	-	(123.935)	(123.935)
Net Profit/Loss	(290.563)	999.140	209.245	(406.477)	511.345
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	797.344	-	797.344
Banks (*)	-	-	1.689.838	-	1.689.838
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	5.096.563	-	5.096.563
Loans (**)(**)	4.740.339	34.311.793	829.290	-	39.881.422
Financial Assets Measured at Amortised Cost	-	-	766.486	-	766.486
Derivative Financial Assets	-	-	12.085	-	12.085
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets (*)	-	-	-	5.968.782	5.968.782
Total Segment Assets	4.740.339	34.311.793	9.191.706	5.968.782	54.212.620
SEGMENT LIABILITIES					
Funds Collected	17.213.066	25.203.012	-	-	42.416.078
Derivative Financial Liabilities	-	-	956	-	956
Funds Borrowed	-	-	5.462.302	-	5.462.302
Money Market Funds	-	-	264.379	-	264.379
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	407.683	407.683
Other Liabilities	-	-	-	2.035.063	2.035.063
Shareholders' Equity	-	-	-	3.626.159	3.626.159
Total Segment Liabilities	17.213.066	25.203.012	5.727.637	6.068.905	54.212.620

(*) Includes expected loss provisions.

(**) Includes lease receivables.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

IX. EXPLANATIONS ON THE ACTIVITY DEPARTMENTS (Continued)

Table for Segment Reporting (Continued)

Prior Period (1 January - 31 December 2019) (***)	Private Banking	Corporate / Entrepreneurial Banking	Treasury/ Investment Banking	Other	Total
OPERATING INCOME / EXPENSES					
Profit Shares Income	151.174	1.980.286	197.155	308.057	2.636.672
Profit Shares from Loans	151.174	1.980.286	-	-	2.131.460
Profit Shares from Banks	-	-	507	-	507
Profit Shares from Securities	-	-	158.541	-	158.541
Other Profit Shares	-	-	38.107	308.057	346.164
Profit Shares Expense	620.101	557.310	524.518	14.999	1.716.928
Profit Shares Expense on Participation Funds	620.101	557.310	5.296	-	1.182.707
Profit Shares Expense on Funds Borrowed	-	-	504.027	-	504.027
Profit Shares Expense on Money Market Transactions	-	-	10.591	-	10.591
Profit Shares Expense on Securities Issued	-	-	4.604	-	4.604
Other Profit Shares Expense	-	-	-	14.999	14.999
Net Profit Shares Income/Expense	(468.927)	1.422.976	(327.363)	293.058	919.744
Net Fees and Commission Income/Expense	8.748	86.507	-	(23.294)	71.961
Fees and Commissions Received	8.748	86.507	-	10.477	105.732
Fees and Commissions Paid	-	-	-	33.771	33.771
Dividend Income	-	-	24.837	-	24.837
Trading Income/Loss (Net)	-	-	52.518	-	52.518
Other Operating Income	-	313	-	149.893	150.206
Provision for Loans or Other Receivables Losses	29.289	322.414	-	39.747	391.450
Other Provision expense	-	-	-	19.637	19.637
Personnel Expenses	-	-	-	136.524	136.524
Other Operating Expense	-	-	-	168.376	168.376
Income Before Tax	(489.468)	1.187.382	(250.008)	55.373	503.279
Tax Provision	-	-	-	(117.089)	(117.089)
Net Profit/Loss	(489.468)	1.187.382	(250.008)	(61.716)	386.190
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks ^(*)	-	-	916.283	-	916.283
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	2.386.937	-	2.386.937
Loans ^{(*)(**)}	2.159.061	21.671.460	5.160.663	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	547.750	-	547.750
Derivative Financial Assets	-	-	17.496	-	17.496
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets ^(*)	-	-	-	3.532.424	3.532.424
Total Segment Assets	2.159.061	21.671.460	9.029.229	3.532.424	36.392.174
SEGMENT LIABILITIES					
Funds Collected	15.884.216	9.573.029	-	-	25.457.245
Derivative Financial Liabilities	-	-	12.479	-	12.479
Funds Borrowed	-	-	5.978.670	-	5.978.670
Money Market Funds	-	-	19.135	-	19.135
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	235.279	235.279
Other Liabilities	-	-	-	1.522.538	1.522.538
Shareholders' Equity	-	-	-	3.166.828	3.166.828
Total Segment Liabilities	15.884.216	9.573.029	6.010.284	4.924.645	36.392.174

(*) Includes expected loss provisions.

(**) Includes lease receivables.

(***) Represents statement of profit or loss amounts at 30 September 2019.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Cash / Foreign Currency	37.075	157.729	28.617	50.616
Central Bank of the Republic of Turkey(*)	578.526	4.047.628	71.522	2.404.187
Other	-	380.982	-	339.497
Total	615.601	4.586.339	100.139	2.794.300

(*) 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 September 2020, the valid rates for required reserves at the CBRT are between 1% and 7% for Turkish currency deposits and other liabilities (31 December 2019: 1%-7%). For Foreign currency deposits and for foreign currency other liabilities is between 8% and 24% (31 December 2019:5%-21%).

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

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Unrestricted Demand Deposit	573.526	8	38	6
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (*)	5.000	4.047.620	71.484	2.404.181
Total	578.526	4.047.628	71.522	2.404.187

(*) TL 472.193 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2019: TL 180.501).

2. Information on banks and other financial institutions:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Banks				
Domestic Banks	105.235	897.408	5.205	332.276
Foreign Banks	-	687.276	-	578.937
Foreign Head Office and Branches	-	-	-	-
Total	105.235	1.584.684	5.205	911.213

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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. 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 30.09.2020	Prior Period 31.12.2019
Assets Subject to Repurchase Agreements	241.013	16.497
Assets Blocked/Given as Collateral	81.954	84.643
Total (*)	322.967	101.140

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

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Debt Securities	5.274.582	2.380.681
Quoted in Stock Exchange	3.769.717	2.078.312
Not Quoted in Stock Exchange	1.504.865	302.369
Share Certificates	10.414	7.672
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	10.414	7.672
Provision for Impairment (-) (**)	188.433	1.416
Total	5.096.563	2.386.937

(*) The aforementioned amounts consist of TL 2.755 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 2019: TL 7.672 Credit Guarantee Fund).

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

4. Expected Loss Provisions

As of 30 September 2020, TL 407 (31 December 2019: TL 135) for nostro and TL 81 (31 December 2019: TL 39) for the required reserves (Stage 1) has been calculated.

5. Information on derivative financial assets

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

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward Transactions	1.321	8.674	27	17.469
Swap Transactions	-	2.090	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	-	-
Total	1.321	10.764	27	17.469

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

	Current Period 30.09.2020		Prior Period 31.12.2019	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	-	-	3.097.903	-
Corporate Shareholders	-	-	3.097.903	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	5.506	-	2.372	-
Total (*)	5.506	-	3.100.275	-

(*) Includes rediscount amounts.

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

Current Period 30.09.2020	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				
Export Loans	2.522.704	5.787	-	-
Import Loans	79.370	-	-	-
Commercial Loans	23.455.113	286.005	507.502	-
Consumer Loans	4.700.342	6.606	-	-
Credit Cards	1.296	-	-	-
Loans Given to Financial Sector	829.292	-	-	-
Other	1.945.221	62.748	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	637.624	12.923	67.336	-
Total	34.173.724	374.069	574.838	-

Prior Period 31.12.2019	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				
Export Loans	1.226.789	55.944	-	-
Import Loans	85.536	-	-	-
Commercial Loans	13.668.959	401.691	748.347	-
Consumer Loans	2.149.003	8.576	1.482	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	5.160.663	-	-	-
Other	1.118.317	84.288	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	425.989	44.146	53.652	-
Total	23.835.256	594.645	803.481	-

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

Current Period 30.09.2020		
	Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses	132.585	-
Significant Increase in Credit Risk	-	79.469

Current Period 30.09.2020		
No. of extensions	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
1 or 2 Times Extended	503.592	507.502
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	503.592	507.502

Current Period 30.09.2020		
Extension Periods	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
0 - 6 Months	770	633
6 Months – 12 Months	1.619	1.949
1 - 2 Years	148.305	222.767
2 - 5 Years	78.025	260.038
5 Years and Over	274.873	22.115
Total	503.592	507.502

Prior Period 31.12.2019		
	Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses	49.451	-
Significant Increase in Credit Risk	-	56.622

Prior Period 31.12.2019		
No. of extensions	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
1 or 2 Times Extended	-	803.481
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	-	803.481

Prior Period 31.12.2019		
Extension Periods	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
0 - 6 Months	-	57
6 Months – 12 Months	-	6.952
1 - 2 Years	-	352.578
2 - 5 Years	-	334.045
5 Years and Over	-	109.849
Total	-	803.481

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

Current Period 30.09.2020	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	5.397	4.696.419	4.701.816
Housing Loans	2.823	4.395.211	4.398.034
Vehicle Loans	1.600	170.763	172.363
Consumer Loans	974	130.445	131.419
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	929	-	929
With Installment	267	-	267
Without Installment	662	-	662
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	135	4.997	5.132
Housing Loans	-	-	-
Vehicle Loans	-	100	100
Consumer Loans	135	4.897	5.032
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	367	-	367
With Installment	42	-	42
Without Installment	325	-	325
Personnel Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	6.828	4.701.416	4.708.244

(*) Profit share rediscount amounting to TL 32.095 is not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

Prior Period 31.12.2019	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.690	2.152.010	2.156.700
Housing Loans	748	1.975.401	1.976.149
Vehicle Loans	2.987	100.020	103.007
Consumer Loans	955	76.589	77.544
Other	-	-	-
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	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	112	2.249	2.361
Housing Loans	-	95	95
Vehicle Loans	-	92	92
Consumer Loans	112	2.062	2.174
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	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	4.802	2.154.259	2.159.061

(*) Profit share rediscount amounting to TL 11.516 is not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)****d) Information on installment commercial loans and corporate credit cards**

Current Period 30.09.2020	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	62.222	401.872	464.094
Business Loans	261	35.998	36.259
Vehicle Loans	61.961	365.874	427.835
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	4.078	4.078
Business Loans	-	-	-
Vehicle Loans	-	4.078	4.078
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	26.386	26.386
With Installment	-	-	-
Without Installment	-	26.386	26.386
With Installment	-	-	-
Without Installment	-	-	-
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	62.222	432.336	494.558

Prior Period 31.12.2019	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	43.631	249.623	293.254
With Installment	1.000	17.657	18.657
Without Installment	42.631	231.966	274.597
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans-Indexed to FC	-	11.999	11.999
With Installment	-	-	-
Without Installment	-	11.999	11.999
With Installment	-	-	-
Without Installment	-	-	-
Installment Commercial Loans -FC	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	-	-
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	43.631	286.352	329.983

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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 30.09.2020	Prior Period 31.12.2019
Domestic Loans	34.105.065	23.677.914
Foreign Loans	99.734	1.031.681
Profit Share Income Accruals of Loans	717.883	523.787
Total^(*)	34.922.682	25.233.382

(*) Non-performing loans are not included.

f) Loans Granted to subsidiaries and participations

As of 30 September 2020, the Bank has no loans granted to subsidiaries and participations (31 December 2019: None).

g) Credit-Impaired Losses (Stage 3 / Specific Provision)

	Current Period 30.09.2020	Prior Period 31.12.2019
Loans and receivables with limited collectability	69.083	136.955
Loans and receivables with doubtful collectability	189.085	77.186
Uncollectible loans and receivables	622.218	253.632
Total	880.386	467.773

h) Information on lease receivables

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

	Current Period 30.09.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	96.244	94.332	71.065	70.080
1-5 year	4.425.403	3.947.274	3.611.355	3.088.196
More than 5 years	1.136.094	837.805	860.343	498.090
Total	5.657.741	4.879.411	4.542.763	3.656.366

h.2) Information on Net Investments in Financial Leasing

	Current Period 30.09.2020	Prior Period 31.12.2019
Gross Financial Lease Receivable	5.657.741	4.542.763
Unearned Financial Income from Financial Lease (-)	(778.330)	(886.397)
Canceled Rental Amounts	-	-
Total	4.879.411	3.656.366

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 September 2020 the Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled, is TL 31.163 (31 December 2019 : TL 29.542).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

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	155.555	195.532	324.195
Additions in the current period (+)	268.724	109.199	185.404
Transfers from other categories of non-performing loans (+)	-	294.494	324.793
Transfers to other categories of non- performing loans (-)	294.494	324.793	-
Collections in the current period (-)	11.115	11.943	43.782
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	118.670	262.489	790.610
Expected Loss Provision (Stage 3)	69.083	189.085	622.218
Net balance on balance sheet	49.587	73.404	168.392

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	23.900	182.282	240.480
Expected Loss Provision (Stage 3) (-)	11.260	103.905	194.672
Net balance on balance sheet	12.640	78.377	45.808

(*) As of 4 July 2020, Ziraat Katılım Bankası A.Ş started to monitor its non-performing loans as FC, arising from FC loans.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)****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)	49.587	73.404	168.392
Loans to Real Persons and Legal Entities (Gross)	118.670	262.489	790.610
Specific Provisions (-)	69.083	189.085	622.218
Loans to Real Persons and Legal Entities (Net)	49.587	73.404	168.392
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	18.600	118.346	70.563
Loans to Real Persons and Legal Entities (Gross)	155.555	195.532	324.195
Specific Provisions (-)	136.955	77.186	253.632
Loans to Real Persons and Legal Entities (Net)	18.600	118.346	70.563
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Current Period End Balance 30.09.2020			
Profit Share Accrual and Valuation Differences Provision	20.071	9.954	67.738
Provision Amount (-)	7.216	5.415	53.356

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Prior Period End Balance 31.12.2019			
Profit Share Accrual and Valuation Differences Provision	3.951	6.233	39.915
Provision Amount (-)	1.748	3.746	28.626

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's. 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

1) 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 30.09.2020	Prior Period 31.12.2019
Debt Securities(*)	766.486	547.750
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	766.486	547.750

(*) The Bank has calculated the fair value of these borrowings in accordance with TFRS 9 and TFRS 13 by using the prices of similar financial assets at the balance sheet date and reflected them to the financial statements.

b) Information on financial assets valued at amortized cost

None (31 December 2019: None).

c) Information on government debt securities measured at amortized cost

As of 30 September 2020, government debt securities measured at amortized cost of the Bank is TL 766.486 (31 December 2019: TL 547.750).

	Current Period 30.09.2020	Prior Period 31.12.2019
Balances at Beginning of Period	547.750	-
Foreign Currency Differences on Monetary Assets	218.736	7.757
Purchases during the Period(*)	-	539.993
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	766.486	547.750

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

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

As of 30 September 2020, the amount of assets due to trading is TL 101.545 (31 December 2019: TL 104.069).

	Current Period 30.09.2020	Prior Period 31.12.2019
Beginning Balance (Net)	104.069	4.259
Changes During the Period (Net)	(2.524)	99.810
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	101.545	104.069

As of 30 September 2020, the Bank has no discontinued operations (31 December 2019: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

9. Equity Investments

a) Information about investments in associates (Net):

As of 30 September 2020, the Bank has no subsidiaries (31 December 2019: All of the shares with a nominal value of TL 14.400 , corresponding to 24% share in the current issued capital of Ziraat Yatırım Menkul Değerler A.Ş., were transferred to TC Ziraat Bankası A.Ş. on 22 November 2019 for a price of TL 39.703).

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.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior period income/ loss(**)	Fair Value	Needed shareholders Equity
1(*)	3.540.790	122	-	221.681	-	50	6	-	-
2(*)	14.091	89	-	2.092	-	25	18	-	-

(*) 30 September 2020 reviewed financial statements are used.

(**) 30 September 2019 reviewed financial statements are used.

	Current Period 30.09.2020	Prior Period 31.12.2019
Balance at the beginning of the year	100	100
Movements during the year	-	-
Included in the scope of consolidation	-	-
Purchases	-	-
Bonus Share	-	-
Dividends from current year income	-	-
Transfers to available for sale financial assets	-	-
Sales	-	-
Revaluation increase	-	-
Balance at the end of the year	100	100
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Banks	-	-
Insurance Companies	-	-
Factoring Companies	-	-
Leasing Companies	-	-
Finance Companies	-	-
Other Financial Subsidiaries	100	100

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

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

As of 30 September 2020, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2019: None).

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

None (31 December 2019: None).

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	-	113.603	71.139	14.072	42.500	-	241.314
Accumulated Depreciation (-)	-	20.376	36.939	4.136	22.265	-	83.716
Net Book Value	-	93.227	34.200	9.936	20.235	-	157.598
Current Period End:							
Net Book Value at the Beginning of the Period	-	93.227	34.200	9.936	20.235	-	157.598
Change During the Period (Net)	-	12.440	5.439	2.940	(174)	-	20.645
Cost	-	30.366	13.271	5.343	6.178	-	55.158
Amortization (Net) (-)	-	17.926	7.832	2.403	6.352	-	34.513
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	143.969	84.410	19.415	48.678	-	296.472
Accumulated Depreciation at Period End (-)	-	38.302	44.771	6.539	28.617	-	118.229
Provision for Impairment (-)	-	-	-	-	-	-	-
Closing Net Book Value	-	105.667	39.639	12.876	20.061	-	178.243

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.

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

11. Information on intangible assets:

	Current Period 30.09.2020			Prior Period 31.12.2019		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	180.665	33.149	147.516	143.633	22.992	120.641
Total	180.665	33.149	147.516	143.633	22.992	120.641

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

12. Information on the investment properties:

As of 30 September 2020, the Bank has no investment properties (31 December 2019: None).

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

As of 30 September 2020, the Bank has no assets related to tax (31 December 2019: None).

14. Information on deferred tax asset:

As at 30 September 2020, deferred tax liabilities of TL 98.648 (31 December 2019: TL 33.127) and deferred tax assets of TL 175.604 (31 December 2019: TL 75.280) have been offset and TL 76.957 deferred tax asset (31 December 2019: TL 42.153 deferred tax asset) is reflected in the financial statements.

15. Information on other assets:

As of 30 September 2020, other assets do not exceed 10% of the total assets excluding off-balance sheet commitments.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

Current Period 30.09.2020	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	660.046	-	-	-	-	-	-	-	660.046
II. Real persons profit sharing accounts non-trade TL	-	914.458	4.614.244	49.605	-	54.245	374.146	-	6.006.698
III. Other current accounts- TL	5.815.719	-	-	-	-	-	-	-	5.815.719
Public sector	120.467	-	-	-	-	-	-	-	120.467
Commercial sector	1.091.486	-	-	-	-	-	-	-	1.091.486
Other institutions	51.630	-	-	-	-	-	-	-	51.630
Commercial and other institutions	497	-	-	-	-	-	-	-	497
Banks and participation banks	4.551.639	-	-	-	-	-	-	-	4.551.639
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	30	-	-	-	-	-	-	-	30
Foreign banks	4.551.564	-	-	-	-	-	-	-	4.551.564
Participation banks	45	-	-	-	-	-	-	-	45
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts- TL	-	1.746.902	6.754.238	463.809	-	673.934	412.954	-	10.051.837
Public sector	-	831.394	855.808	161.404	-	158.243	56.637	-	2.063.486
Commercial sector	-	898.235	5.378.613	256.010	-	515.649	356.235	-	7.404.742
Other institutions	-	17.273	519.817	46.395	-	42	82	-	583.609
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts non-trade FC	1.320.326	-	-	-	-	-	-	-	1.320.326
VI. Real persons profit sharing accounts-FC	-	725.849	4.770.192	140.887	-	143.671	1.240.663	-	7.021.262
VII. Other current accounts-FC	2.204.884	-	-	-	-	-	-	-	2.204.884
Commercial residents in Turkey	2.113.897	-	-	-	-	-	-	-	2.113.897
Commercial residents in Abroad	90.836	-	-	-	-	-	-	-	90.836
Banks and participation banks	151	-	-	-	-	-	-	-	151
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	90.836
Foreign banks	151	-	-	-	-	-	-	-	151
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	414.037	5.180.637	82.764	-	86.924	861.861	-	6.626.223
Public sector	-	802	693	-	-	-	-	-	1.495
Commercial sector	-	412.905	5.178.759	82.683	-	86.924	861.861	-	6.623.132
Other institutions	-	330	1.185	81	-	-	-	-	1.596
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	1.104.548	-	1.504.929	31.617	-	16.692	51.297	-	2.709.083
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+....+IX+X+XI)	11.105.523	3.801.246	22.824.240	768.682	-	975.466	2.940.921	-	42.416.078

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

Prior Period 31.12.2019	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts non-trade TL	350.043	-	-	-	-	-	-	-	350.043
II. Real persons profit sharing accounts non-trade TL	-	627.089	4.775.595	68.752	-	72.399	260.155	-	5.803.990
III. Other current accounts-TL	1.324.955	-	-	-	-	-	-	-	1.324.955
Public sector	136.022	-	-	-	-	-	-	-	136.022
Commercial sector	1.163.377	-	-	-	-	-	-	-	1.163.377
Other institutions	24.833	-	-	-	-	-	-	-	24.833
Commercial and other institutions	716	-	-	-	-	-	-	-	716
Banks and participation banks	7	-	-	-	-	-	-	-	7
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	4	-	-	-	-	-	-	-	4
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	3	-	-	-	-	-	-	-	3
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	404.033	4.163.238	608.928	-	301.861	75.154	-	5.553.214
Public sector	-	53.827	235.600	53.833	-	117.818	57.911	-	518.989
Commercial sector	-	322.540	3.590.103	153.636	-	184.008	14.834	-	4.265.121
Other institutions	-	27.666	337.535	401.459	-	35	2.409	-	769.104
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	724.646	-	-	-	-	-	-	-	724.646
VI. Real persons profit sharing accounts non-trade FC	-	310.421	3.635.775	74.453	-	75.918	854.408	-	4.950.975
VII. Other current accounts non- trade FC	1.483.626	-	-	-	-	-	-	-	1.483.626
Commercial residents in Turkey	1.425.008	-	-	-	-	-	-	-	1.425.008
Commercial residents in Abroad	58.502	-	-	-	-	-	-	-	58.502
Banks and participation banks	116	-	-	-	-	-	-	-	116
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	116	-	-	-	-	-	-	-	116
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	269.674	1.927.397	188.365	-	328.520	1.687.014	-	4.400.970
Public sector	-	757	1.022	-	-	-	-	-	1.779
Commercial sector	-	268.708	1.888.846	188.318	-	328.520	1.687.014	-	4.361.406
Other institutions	-	209	37.529	47	-	-	-	-	37.785
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	255.038	-	557.789	25.188	-	5.545	21.266	-	864.826
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI	4.138.308	1.611.217	15.059.794	965.686	-	784.243	2.897.997	-	25.457.245

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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 30.09.2020	Prior Period 31.12.2019	Current Period 30.09.2020	Prior Period 31.12.2019
Real persons current and profit sharing accounts that are not subject to commercial activities	6.363.782	5.251.128	11.172.543	7.383.152
TL accounts	3.566.362	3.496.444	3.100.382	2.657.587
FC accounts	2.797.420	1.754.684	8.072.161	4.725.565
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance:**Current and Profit Share Accounts of the real persons who are not within the scope of Saving
Deposits Insurance Fund:**

	Current Period 30.09.2020	Prior Period 31.12.2019
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	473	770
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No:5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

2. Information on funds borrowed:**a) Information on banks and other financial institutions:**

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	3.857.563	1.463.993	2.857.534	1.498.426
From Foreign Banks, Institutions and Funds	-	140.746	-	1.622.710
Total	3.857.563	1.604.739	2.857.534	3.121.136

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

b) Information on maturity structure of borrowings:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Short-term	3.564.401	350.480	2.516.784	179.422
Medium and Long-term	293.162	1.254.259	340.750	2.941.714
Total	3.857.563	1.604.739	2.857.534	3.121.136

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:

72% of liabilities consists of current and share profit account.

3. Funds provided under repurchasing agreements:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Domestic	264.379	-	19.135	-
Financial Institutions	264.379	-	19.135	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	264.379	-	19.135	-

4. Information on securities issued:

None (31 December 2019: None)

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

None (31 December 2019:None)

6. Information on derivative financial liabilities:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Forward transactions	956	-	19	12.460
Swap transactions	-	-	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	956	-	19	12.460

7. Information on financial lease obligations:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	Gross	Net	Gross	Net
Less than 1 year	12.549	10.539	4.342	3.953
Between 1-5 years	73.497	53.322	64.193	46.451
More than 5 years	129.877	66.755	123.525	59.655
Total	215.923	130.616	192.060	110.059

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)

8. Information on provisions:

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

There is no foreign exchange loss provisions on foreign currency indexed loans and financial lease receivables (31 December 2019: None).

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

Specific provisions for indemnified non-cash loans amount to TL 27.590 (31 December 2019: TL 18.452).

c) Information on other provisions:

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

With the bank management decision, a free provision amounting to TL 45.000 was reserved (31 December 2019: TL 80.000).

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

As of 30 September 2020, TL 236.086 of other reserves is reserved for use in meeting the part of the Savings Deposit Insurance Fund premium that falls on the participation accounts share in accordance with the 19th article of the "Regulation on Procedures and Principles Regarding the Classification of Loans and Provisions to be Allocated for them". (31 December 2019: TL 64.051).

The Bank has provided specific provisions amounting to TL 27.590 (31 December 2019 :TL 18.452) for non-cash loans that are not indemnified, amounting to TL 39.421 (31 December 2019 :TL 19.923) for the expected credit loss for (Stage 1 and 2) non-cash loans and amounting to TL 18.477 (31 December 2019 :TL 17.139) for other provisions.

c.3) Information on litigations provisions

A provision of TL 18.248 has been set aside in the financial statements for lawsuits that have not yet been finalized against the bank (31 December 2019: TL 17.038).

8. Information on provisions:

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 September 2020, the amount payable consists of one month's salary limited to a maximum of TL 7.117 (full TL) (31 December 2019: TL 6.380 (full TL)) for each year of service.

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Discount Rate (%)	12.10	12.10
Inflation (%)	8.20	8.20

d.2) Severance Pay and Unused Permission Rights

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Balance at the 1 January	8.662	5.736
Changes during the period	3.157	2.268
Paid during the period	-	801
Severance Pay	-	(316)
Loss/(gain) obtained from layoff	-	216
Actuarial loss/(gain)	-	(43)
Balance at the end of the period	11.819	8.662

As of 30 September 2020, the Bank has a TL 6.580 short-run employees' rights provision (31 December 2019: TL 6.050).

d.3) 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 September 2020, no technical deficit has been reported.

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

d.4) Additional Bonus Provision to be paid to Personnel

The Bank has allocated a provision amounting to TL 22.711 based on the bonus to be paid in a current period (31 December 2019: TL 21.000).

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 30 September 2020, the Bank's corporate income tax liability is TL 48.885 (31 December 2019: TL 85.445).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

b) Information on taxes payable:

	Current Period 30.09.2020	Prior Period 31.12.2019
Corporate Tax Payable	48.885	85.445
Taxation on Income From Securities	19.725	18.470
Property Tax	150	286
Banking Insurance Transactions Tax (BITT)	9.377	11.395
Foreign Exchange Transactions Tax	3.457	392
Value Added Tax Payable	7.165	3.708
Other	2.605	2.418
Total	91.364	122.114

c) Information on premiums:

	Current Period 30.09.2020	Prior Period 31.12.2019
Social Security Premiums – Employee	17	8
Social Security Premiums – Employer	20	11
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions – Employee	-	-
Pension Fund Membership Fees and Provisions – Employer	-	-
Unemployment Insurance – Employee	111	87
Unemployment Insurance – Employer	219	173
Other	-	-
Total	367	279

10) Information on deferred tax liabilities, if any:

The Bank does not have deferred tax liabilities as of the balance sheet date (31 December 2019: None).

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

The Bank does not have any payables for assets held for sale and discontinued operations (31 December 2019: None).

12. Explanations on subordinated debts:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
From Domestic Banks	300.260	-	312.351	-
Domestic Other Organizations	-	754.430	-	537.338
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
Total	300.260	754.430	312.351	537.338

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:				
Subordinated Loans (*)	-	754.430	-	537.338
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:				
Subordinated Loans (**)	300.260	-	312.351	-
Equity-like Debt Instruments	-	-	-	-
Total	300.260	754.430	312.351	537.338

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

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

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

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

14. Information on shareholders' equity:

a) Presentation on paid-in capital:

	Current Period 30.09.2020	Prior Period 31.12.2019
Common stock	1.750.000	1.750.000
Preferred stock	-	-

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

None.

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

None

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

None.

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

There is no capital commitments for the last financial year and the end of the following interim period (31 December 2019: None).

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

The Bank has no any uncertainty related to profitability and liquidity according to the prior period's indicators (31 December 2019: None).

g) Information on preferred shares:

As of 30 September 2020, the Bank has no preferred shares (31 December 2019: None).

h) Information on marketable securities value increase fund:

	Current Period 30.09.2020		Prior Period 31.12.2019	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	5.139	(82)	56.429	642
Revaluation Difference	6.340	(82)	72.454	642
Deferred Tax Effect	(1.201)	-	(16.025)	-
Foreign Exchange Difference	-	-	-	-
Total	5.139	(82)	56.429	642

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 30.09.2020	Prior Period 31.12.2019
Commitments for Credit Card Expenditure Limits	112.240	108.744
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	232.693	157.323
Loan Granting Commitments	14.929	11.509
Asset Purchase Commitments	27.142	-
Tax and Fund Liabilities from Export Commitments	163.723	122.657
Total	550.727	400.233

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 possible losses arising from the off-balance sheet items is TL 27.590 (31 December 2019: TL 18.452).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Guarantee Letters	12.176.235	9.381.555
Bank Acceptances	6.238	18.753
Letter of Credits	1.215.553	983.145
Other Contingencies	1.983.057	944.684
Total	15.381.083	11.328.137

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

	Current Period 30.09.2020	Prior Period 31.12.2019
Letters of Temporary Guarantees	993.348	764.821
Letters of Certain Guarantees	5.966.787	4.596.487
Letters of Advance Guarantees	635.613	621.598
Letters of Guarantees given to Customs Offices	78.574	77.809
Other Letters of Guarantees	4.501.913	3.320.840
Total	12.176.235	9.381.555

b.3) Total non-cash loans:

	Current Period 30.09.2020	Prior Period 31.12.2019
Non-Cash Loans for Providing Cash Loans	4.503.689	3.320.852
With Original Maturity of One Year or Less	1.518.297	83.917
With Original Maturity of More than One Year	2.985.392	3.236.935
Other Non-Cash Loans	10.877.394	8.007.285
Total	15.381.083	11.328.137

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

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

	Current Period 30.09.2020		Prior Period 30.09.2019	
	TL	FC	TL	FC
Profit share on loans (*)	1.895.362	363.577	1.866.035	265.425
Short term loans	519.310	77.773	847.313	88.162
Medium and long term loans	1.318.528	285.804	989.444	177.263
Profit share on non-performing loans	57.524	-	29.278	-
Premiums received from resource utilization support fund	-	-	-	-

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

b) Information on profit share income from banks:

	Current Period 30.09.2020		Prior Period 30.09.2019	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	22.046	214	462	45
Foreign Banks	-	215	-	-
Head Office and Branches	-	-	-	-
Total	22.046	429	462	45

c) Information on profit share income from securities portfolio:

	Current Period 30.09.2020		Prior Period 30.09.2019	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	4.464	-	9.708	-
Financial Assets at Fair Value through Other Comprehensive Income	443.607	23.786	142.988	5.845
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	31.396	-	-
Total	448.071	55.182	152.696	5.845

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

None (30 September 2019: None).

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

	Current Period 30.09.2020		Prior Period 30.09.2019	
	TL	FC	TL	FC
Banks	36.622	47.544	375.637	93.443
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	2.617	30.915	320.671	49.104
Foreign Banks	34.005	16.629	54.966	44.339
Head Office and Branches	-	-	-	-
Other Institutions	258.083	33.873	24.506	10.441
Total	294.705	81.417	400.143	103.884

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

The amount of profit share expense given to associates and subsidiaries is TL 223.410 (30 September 2019: TL 299.799)

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

None (30 September 2019 TL 4.604).

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

(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)****d) Distribution of profit share on funds based on maturity of funds :**

Current Period 30.09.2020		Participation Accounts				
Account Name	1 month	3 months	6 months	Up to 1 year	Over 1 year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	40.863	310.357	4.331	4.098	21.406	381.055
Public Sector Participation Accounts	12.548	22.825	6.580	16.748	5.455	64.156
Commercial Sector Participation Accounts	33.966	293.742	11.922	27.465	15.299	382.394
Other Institutions Participation Accounts	5.558	25.804	7.976	143	56	39.537
Total	92.935	652.728	30.809	48.454	42.216	867.142
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	2.931	31.923	659	896	19.268	55.677
Public Sector Participation Accounts	4	10	-	-	-	14
Commercial Sector Participation Accounts	1.884	22.510	752	1.937	11.991	39.074
Other Institutions Participation Accounts	1	432	-	-	-	433
Public Sector Participation Accounts	1.891	-	-	-	-	1.891
Total	6.711	54.875	1.411	2.833	31.259	97.089
Grand Total	99.646	707.603	32.220	51.287	73.475	964.231

Prior Period 30.09.2019		Participation Accounts				
Account Name	1 month	3 months	6 months	1 year	Over 1 year	Total
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	87	4.883	326	-	-	5.296
Real Person's Non Commercial Participation Accounts	53.661	404.806	4.282	5.242	32.284	500.275
Public Sector Participation Accounts	3.757	23.233	9.042	11.611	17.696	65.339
Commercial Sector Participation Accounts	19.540	299.668	21.590	13.141	1.554	355.493
Other Institutions Participation Accounts	1.696	67.543	57.105	4.523	966	131.833
Total	78.741	800.133	92.345	34.517	52.500	1.058.236
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	138	-	-	-	138
Real Person's Non Commercial Participation Accounts	5.753	51.845	1.413	938	13.836	73.785
Public Sector Participation Accounts	11	274	-	-	-	285
Commercial Sector Participation Accounts	1.514	31.510	1.256	878	9.085	44.243
Other Institutions Participation Accounts	1	1.374	-	-	-	1.375
Public Sector Participation Accounts	4.645	-	-	-	-	4.645
Total	11.924	85.141	2.669	1.816	22.921	124.471
Grand Total	90.665	885.274	95.014	36.333	75.421	1.182.707

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

3. Information on dividend income:

Dividend revenue is TL 104 as of 30 September 2020. (30 September 2019: TL 24.837).

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

	Current Period 30.09.2020	Prior Period 30.09.2019
Income	8.208.900	6.088.951
Foreign exchange gains	7.913.565	6.003.950
Gain on derivative financial instruments	56.148	83.983
Gain on capital market transactions	239.187	1.018
Losses (-)	8.127.672	6.036.433
Foreign exchange losses	8.014.716	6.024.336
Losses on derivative financial instruments	109.917	11.463
Losses on capital market transactions	3.039	634
Net	81.228	52.518

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

	Current Period 30.09.2020	Prior Period 30.09.2019
Effect of the change in exchange rates on profit/loss	(53.769)	72.520
Total	(53.769)	72.520

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:

As of 30 September 2020, there are no factors affecting the Bank's revenues significantly (30 September 2019: Within the framework of the Bank's decision of 6/1 dated 21 February 2019, by the Banking Regulation and Supervision Agency's decision dated January 18, 2019 and numbered 8210. The Bank (Transferee) and Ziraat Finansal Kiralama A.Ş. (Transferee) have been merged in accordance with the relevant articles of the Turkish Commercial Code No. 6102, and the merger was registered by the Istanbul Trade Registry Directorate on 1 March 2019)

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

	Current Period 30.09.2020	Prior Period 30.09.2019
Expected Credit Loss	813.194	351.691
12 month expected credit loss (stage 1)	119.344	28.526
Significant increase in credit risk (stage 2)	100.247	44.257
Non-performing loans (stage 3)	593.603	278.908
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	195.714	39.759
Total	1.008.908	391.450

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

7. Information on other operating expenses:

	Current Period 30.09.2020	Prior Period 30.09.2019
Reserve for Employee Termination Benefits	3.157	2.302
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	37.140	32.404
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	10.157	7.455
Impairment Expense for Equity Shares subject to the Equity Method	-	-
Impairment Expense for Investment Securities that will be Disposed	-	-
Amortization Expenses of Investment Securities that will be Disposed	-	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-	-
Other Operating Expenses	92.928	62.093
Operational Leasing Expenses	166	126
Maintenance Expenses	14.609	11.919
Advertisement Expenses	27.831	15.759
Other Expenses	50.322	34.289
Loss on Sales of Assets	219	7.796
Other (*)	80.065	56.326
Total	223.666	168.376

(*) The balance which forms the other item part, TL 45.656 (30 September 2019: TL 21.909), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 30.183 (30 September 2019: TL 27.447) consists of taxes, fees and funds and other service expenses.

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

As of 30 September 2020, the Bank does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

	Current Period 30.09.2020	Prior Period 30.09.2019
Net Profit Share Income	1.698.908	919.744
Net Fees and Commissions Income	86.207	71.961
Dividend Income	104	24.837
Trading Income/Expense (Net)	81.228	52.518
Other Operating Income	176.778	150.206
Expected Loss Provision (-)	813.194	391.450
Other Provision Expense (-)	195.714	19.637
Personnel Expense	175.371	136.524
Other Operating Expenses (-)	223.666	168.376
Income/(Loss) from Continuing Operations	635.280	503.279

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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)

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

As of 30 September 2020, the Bank's total tax provision expense amounting to TL 123.935 (30 September 2019: TL 117.089) consists of TL 143.913 (30 September 2019: TL 116.805) of current tax expense and TL 19.978 (30 September 2019: TL 284) 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 511.345 (30 September 2019: TL 386.190 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 September 2019: None).

V. 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	-	-	3.097.903	-	-	-
Balance at end of period	-	-	-	-	-	-
Profit share and commission income	-	-	2.151	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

(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 RISK GROUP OF THE BANK (Continued)

Prior Period

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	2.180.316	-	-	-
Balance at end of period	-	-	3.097.903	-	-	-
Profit share and commission income	-	-	18.526	-	-	-

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	-	-	42.411	8.159	-	-
Balance at the end of period	-	-	334	42.411	-	-
Participation Accounts						
Profit Share Expenses	-	-	17	4.810	-	-

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	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Profit share paid expense	-	-	-	-	-	-

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	-	-	2.383.936	2.401.773	-	-
Closing Balance	-	-	1.629.275	2.383.936	-	-
Total Profit/Loss	-	-	8.656	20.824	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management:

The Bank has paid TL 4.687 (31 December 2019: TL 4.689) to top management.

VI. 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 SEPTEMBER 2020

(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 REPORT

As of 30 September 2020, 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 4 November 2020 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

SECTION SEVEN

INTERIM ACTIVITY REPORT

I. ASSESMENT OF CHAIRMAN

It was seen that the negative effects of the Covid-19 virus, which affected the whole world in the first half of the year, on the global economy and social life began to decrease in the third quarter of the year. While a recovery is observed in the global economy, social life is largely returning to normal. However, the increase in the number of cases keeps the possibility of the 2nd wave in the epidemic alive. The significant expansionary monetary policies of central banks led to an increase in the risk appetite in financial markets.

The US economy experienced one of the highest contraction figures in its history in the second quarter of the year with the effect of Covid-19. The US Federal Reserve (FED) continued its expansionary monetary policy in the third quarter of the year and tried to reduce the negative effects of the epidemic on the US economy. However, the high unemployment rate and uncertainties regarding the future have created the need for additional stimulus and spending packages in the US economy. In addition, the presidential election to be held in the last quarter of the year is closely monitored by global economies.

The epidemic also negatively affected the European economy, and double-digit contraction figures were seen in the second quarter of the year. In order to reduce the negative effects of the epidemic on economies, significant incentive packages have been announced in Europe, while the European Central Bank (ECB) has also expanded its liquidity opportunities. The positive progress in Europe, which has a significant share in our exports, and the corresponding gain in value of the Euro are considered to be a very positive development for our country. Despite some recovery in commodity prices, especially in oil, in the third quarter of the year, the lack of strong demand still prevents commodities from reaching pre-epidemic prices. expectations for the future and to control the outbreak in Turkey has accelerated in the third quarter, returning to positive economic activity. The measures taken by our Government to prevent the negative effects of the epidemic are among the main factors supporting economic recovery. The possible contraction in the economy has been tried to be prevented with the loan packages put into practice by the public banks for both individuals and the real economy.

Ziraat Katılım Bankası A.Ş. has determined it as a strategic priority to make the most efficient use of the resources it provides from domestic and abroad to the national economy and to contribute to the increase of participation banking's share in the financial sector of our country. While the asset size of the participation banking sector increased by 49.9% in the third quarter of this year compared to the beginning of the year, the asset size of the banking sector increased by 33.7% in the same period. It is seen that the capital efficiency of participation banks hovered above the banking sector in the first 9 months of the year. The share of participation banking in the sector, which was 6.3% at the end of last year, increased to 7.1% in the third quarter of this year. Participation sustaining this positive performance being recorded in the banking, financial system and deepening of Turkey will contribute to the more sheltered against the risks become.

Turkey's participation banks bearing the title of the first public continues to branch expansion in the third quarter of the year Ziraat Katılım Bankası A.Ş. is proud to exceed the target of 100 branches. Our bank continued to strictly comply with the measures taken during the period when the epidemic was effective, in the third quarter of the year, and continued to provide effective service to our customers without sacrificing quality. Ziraat Katılım Bankası A.Ş. continued its activities devotedly to contribute to participation banking, to increase its support to our economy and to create more added value in this period of accelerated economic activity. It will continue to work to contribute more to our economy in the upcoming periods.

Hüseyin AYDIN
Chairman of the Board

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

INTERIM ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER

While the effects of the Covid-19 epidemic on social and economic life on a global scale decreased as of the third quarter of 2020, a return to pre-epidemic conditions started with the effect of high liquidity worldwide.

While the USA was among the countries most affected by the epidemic in the third quarter, it continued to apply its expansionary monetary policy in the second quarter of the year in order to minimize the effects of the historical contraction. Additional financial incentive programs were implemented to stimulate economic activity. Presidential elections to be held in the last quarter of the year constitute an important place in the political and economic agenda of the USA.

Europe was significantly adversely affected by the epidemic. While there was a double-digit contraction in the regional economy, the service sector, especially the tourism sector, came to a standstill due to the epidemic. The ECB continued its expansionary monetary policy by injecting additional funds into the market. In order to ease the market, additional stimulus packages and financial aid programs for the southern countries in trouble have breathed the euro zone.

The process began with a positive controlling the outbreak in Turkey in the third quarter of the year. Incentives and high amounts of support packages implemented to support the real sector contributed to the acceleration of the economy. With the financial support given to the housing market through public banks, the construction sector has eroded its stocks. In the third quarter, the most important developments in terms of natural gas reserves in the Black Sea, Turkey is high. This development in the field of energy, which is the highest import item in our country, has been recorded as an important gain both in terms of economy and energy independence. It is expected that new reserves will be discovered in the Black Sea and the Mediterranean in the upcoming period.

New energy sources will make a positive contribution to our appreciation against other currencies and TL closure of Turkey's current account deficit. As of the third quarter of 2020, while the banking sector increased its asset size by 33.7%, the growth of Participation Finance System was 49.9%. Participation Finance Institutions' market share of 6.3% in 2019 increased to 7.1% at the end of the third quarter of 2020.

Ziraat Katılım Bankası A.Ş. Continues Its Stable Growth

Ziraat Katılım Bankası A.Ş.'s total assets increased by 49% in the third quarter of 2020 compared to the end of 2019, reaching 54.2 billion TL. In the same period, the funds collected reached 42.4 billion TL with an increase of 67%, and the cash funds used reached 39 billion TL with an increase of 64%, while the total cash and non-cash financing provided by Ziraat Katılım Bankası A.Ş. to the entire sector was 54.4 billion TL. Ziraat Katılım Bankası A.Ş. completed the third quarter of 2020 with a profit of TL 511.3 million, as a result of the successful execution of its service concept that prioritizes customer satisfaction and its structured business cycle focusing on efficiency. Rapidly expand its branch network in Turkey, Ziraat Katılım Bankası A.Ş., 2020 3, including one at the end of the quarter reached 102 branches abroad.

ZİRAAT KATILIM BANKASI A.Ş. SUDAN BRANCH STARTED ITS ACTIVITIES

As of September 3, 2020, the first Turkish bank in the African continent, Ziraat Katılım Bankası A.Ş. Sudan Branch started its activities. Ziraat Katılım Bankası A.Ş. opened its first overseas branch in Khartoum, Sudan's capital. The development of foreign trade between Turkey and Sudan will assume the task of strengthening the bridges of economic relations. Ziraat Katılım Bankası A.Ş., operating in Ziraat Finance Group companies, the region in the forming synergies, generating sustained value recommending to more customers by sharing at every stage, continues to become a universal, respectable and leading participation financial institution.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

INTERIM ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER (Continued)

Our Lease Certificate Issuances Reached TL 22.4 Billion in Total

Ziraat Katılım Bankası A.Ş. has successfully completed the issuance of 16 lease certificates as of the second quarter of 2020. Ziraat Yatırım Menkul Değerler A.Ş. While TL 9 Billion funding was obtained from these issues through these issues, all of the lease certificate issues were demanded more than the issue amount from qualified investors.

Turkey's state-owned financial institution which first participation Ziraat Katılım Bankası A.Ş., from 2015, which started its activities so far carried out 67 qualified investors issuance of Sukuk volume reached a total of TL 22.4 billion.

ISTANBUL GOLD REFINERY KAD-SIS PROTOCOL SIGNED WITH ZİRAAT KATILIM BANK

Ziraat Katılım Bankası A.Ş. continues its activities to facilitate its customers' access to finance and to provide financing under favorable conditions. In this context, on August 4, 2020, Ziraat Katılım Bankası A.Ş. and Istanbul Altın Rafinerisi A.Ş. (IAR) signed a protocol regarding Kuyumcu Altın Değerleme Sistemi (KAD-SIS).

With the KAD-SIS project, in which public banks are stakeholders under the leadership of the Ministry of Treasury and Finance, it is aimed to increase scrap gold collection activities, reach wider masses and bring gold under the mattress to the economy. With the transition to this system, it has been ensured that the gold of our citizens is delivered to their bank accounts with special software and hardware via IAR contracted jewelers (ADN) as of August 26, 2020. Thus, while gold collection days are organized at certain times with a limited number of experts assigned in the branches of our Bank, physical gold collection will be carried out throughout the country, including the weekend, through the contracted jewelers of the Istanbul Altın Rafinerisi A.Ş. with KAD-SIS.

ZİRAAT KATILIM BANKART IS OFFERED TO OUR CUSTOMERS

As Katılım Bankası A.Ş., we continued our efforts to expand the services we offer to our customers in the card payments sector in the third quarter of 2020, to ensure faster and safer transactions by improving the customer payment experience, and to increase the turnover market share. Ziraat Katılım Bankası A.Ş. Bankkart credit card pilot studies were completed and dissemination activities accelerated in the third quarter of 2020. It has been observed that the interest shown in our new product in the intense competitive environment in the Payment Systems sector is at satisfactory levels. Our projects have been accelerated in order to strengthen the position of our product in the sector, to maximize the customer shopping experience and to offer innovative solutions. In the third quarter of 2020, our debit card turnover increased by 54% compared to the same period last year, and our POS turnover increased by 63% compared to the same period last year.

FINANCIAL SUPPORT SUITABLE FOR ENTERPRISES AFFECTED BY FLOOD

Çayeli District in Rize Province on July 13 and 14, 2020 and in Giresun Province on August 22 and 2020, all or part of the profit share is provided by KOSGEB to ensure that they can use credit under appropriate conditions has been included in the financial support application that is covered by.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

INTERIM ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER (Continued)

**BUSINESS CONTINUITY FINANCE SUPPORT PACKAGE CONTINUED IN THE 3rd
QUARTER**

Ziraat Katılım Bankası A.Ş., which understands the needs and expectations of our real and corporate customers in the best way and offers them the most appropriate solutions and value suggestions through the most accurate channel, continues to increase its product range by contributing to the national economy at the highest level within the framework of balanced growth and sustainable profitability. In line with the "Economic Stability Shield" move, the "Business Continuity Finance Support Package", which was implemented at the end of the first quarter and provides KGF-guaranteed financing within the framework of the Treasury-Backed Guarantee System, continued in the third quarter.

THE FIRST PHASE OF THE DIGITAL APPROVAL PROJECT HAS STARTED

The first phase of the "Digital Approval" project, which enables the forms received from our customers with signature at our branches to obtain approval from our customers by using Mobile Banking and Mobile Approval facilities, has been put into operation. Internet and Mobile Banking channel registration of our individual customers can now be made from the branch using the SMS code sent to the customer without the need for an application form.

Our customers have started to create "Participation Keys" when they first enter the Internet and Mobile Banking channels to be used in security verification in the future. In addition, our project studies for analyzing, reporting and taking action on customer notifications with 'Artificial Intelligence Supported Text Analytics' have been completed.

OUR WEBSITE HAS BEEN RENEWED

Ziraat Katılım Bankası A.Ş. website was renewed in order to increase customer satisfaction and provide more effective user experience. In line with the needs and expectations of our customers, advanced search options and user-oriented menus have been added to our website and made available to our customers. Focusing on sustainable digital transformation strategies, Ziraat Katılım Bankası A.Ş. redesigned its website with an approach that focuses on the demands and expectations of its customers.

Designed in line with the developing technology, the renewed calculation tools on the website were combined with a modern interface, offering users an interactive banking experience in every field. Ziraat Katılım Bankası A.Ş. aims to provide its customers with a modern and user-friendly experience while performing banking transactions with its renewed design.

It aims to create value in the field of software with open source software, create sustainable digital transformation and bring effective solutions to global technologies. aims to contribute to the development of Turkey's Ziraat Katılım Bankası A.Ş. in the software ecosystem, based on open source software strategy has renewed its website in passing infrastructure.

The website, which is structured in line with an information architecture focused on increasing user satisfaction, aims to provide faster and easier access to financial products for our customers. The website developed with PWA (Progressive Web App) technology enables users to use the site as a mobile application. In order to provide uninterrupted user experience to its customers, connection-independent access to the application is provided even when offline.

API SUPPORT FOR FINANCIAL PROJECTS

Persons or organizations aiming to develop applications in the field of banking and finance; The infrastructure works have been completed to open our Banking Services (API) to our external customers so that all entrepreneurs who have ideas or projects in the field of banking and finance can develop the most innovative and trend applications using this infrastructure. Our efforts for distant customer acquisition (Video call, biometric voice and face recognition technologies and application method) are continuing.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

INTERIM ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER (Continued)

OUR OPEN SOURCE OPERATING SYSTEM COMPLETED IN 76 BRANCHES

As part of the "Nationalization in Technology" strategy, while our efforts to migrate to the open source operating system on the client computer continue, the expansion of the Open Source Operating System has been completed in 76 branches. With this study, it is aimed to increase the performance of client computers, decrease hardware costs and eliminate operating system software license costs very soon.

As a result of the merger of the Public Pension and Insurance Companies, necessary arrangements were made in the banking transactions and screens. Test Automation Application installation-integration and trainings were carried out in order to make the development tests for Alternative Distribution Channels more efficient. Integration studies and Public Joint ATM Project have also been completed in order to respond to the replies of the notice of levy sent to our bank through the NENS (National Electronic Notification System) via the RE (Registered E-mail) system.

COVID - 19 MEASURES CONTINUE FOR OUR CUSTOMERS AND EMPLOYEES

Within the scope of the COVID-19 epidemic, which has completely affected the world since March 2020, all necessary measures were taken to prevent our customers and employees from being affected by the virus, while effective service was provided to our customers without sacrificing service quality. Measures taken within the scope of COVID-19 precautions are carried out meticulously in our Bank's Head Office units and all branches. Ziraat Katılım will continue to work in order to contribute to the participation finance system, to increase its support to our economy and to create more added value.

Metin ÖZDEMİR
General Manager

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

INTERIM ACTIVITY REPORT (Continued)

V. MAIN FINANCIAL INDICATORS

Loans in Bank Assets are 74% with 39.881.422 Thousand TL, Cash and Cash Equivalents are 13% with 6.891.371 Thousand TL, Securities 12% with 6.672.478 Thousand TL, Other Assets receives 1% with 767.349 Thousand TL.

Assets (Thousand TL)	30 September 2020	31 December 2019	Variance (%)
Cash Values and Cash Equivalents	6.891.371	3.810.683	81
Securities	6.672.478	2.952.183	126
Loans	39.881.422	28.991.184	38
Other Assets	767.349	638.124	20
Total Assests	54.212.620	36.392.174	49

Deposit in Bank Liabilities, are 78% with 42.416.078 Thousand TL, Non-Deposit Resources are %10 with 5.727.637 Thousand TL, Equity are 7% with 3.626.159 Thousand TL Other Liabilities are %5 with 2.442.746 Thousand TL.

Liabilities (Thousand TL)	30 September 2020	31 December 2019	Variance (%)
Deposit	42.416.078	25.457.245	67
Non- Deposit Resources	5.727.637	6.010.284	(5)
Other Liabilities	2.442.746	1.757.817	39
Equity	3.626.159	3.166.828	15
Total Liabilities	54.212.620	36.392.174	49

Selected Income-Expenses (Thousand TL)	30 September 2020	31 September 2019
Profit Share Income	3.090.599	2.636.672
Profit Share Expense	1.391.691	1.716.928
Net Profit Share Income	1.698.908	919.744
Net Fee and Commission Income	86.207	71.961
Other Operating Income	176.778	150.206
Other Operating Expense	223.666	168.376
Expected Loss Provision	813.194	391.450
Other Provision Expense	195.714	19.637
Personel Expense	175.371	136.524
Profit / Loss Before Tax	635.280	496.229
Tax Provision	(123.935)	(117.089)
Net Profit/Loss	511.345	379.140

RATIOS (%)	30 September 2020	31 December 2019
Capital Adequacy Ratio	15,7	16,6
Equity / Total Assets	6,7	8,7
Total Loans / Total Assets	72,4	65,2
Loans Under Follow-up (Gross) / Total Loans	2,9	2,3
Demand Deposits / Total Deposits	26,2	16,3
FC Assets / FC Liabilities	93,5	96,3

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 30 SEPTEMBER 2020

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

INTERIM ACTIVITY REPORT (Continued)

VI. 2020 III. INTERIM ACTIVITIES

Marketing Department

Ziraat Katılım Bankası A.Ş., which understands the needs and expectations of our real and corporate customers in the best way and offers them the most appropriate solutions and value suggestions through the most accurate channel, continues to increase its product range by contributing to the national economy at the highest level within the framework of balanced growth and sustainable profitability.

In line with the "Economic Stability Shield" move, the "Business Continuity Finance Support Package", which was implemented at the end of the first quarter and provides KGF-guaranteed financing within the framework of the Treasury Backed Guarantee System, continued in the third quarter.

With the financial support practice, in which all or part of the profit share is covered by KOSGEB, the enterprises affected by the flood disaster Çayeli District in Rize Province on July 13 and 14, 2020 and Giresun Province on August 22 and 23, 2020 were provided to use loans under favorable conditions.

As of September 3, 2020, the first Turkish bank in the African continent, Ziraat Katılım Bankası A.Ş. Sudan Branch started its activities. Ziraat Katılım Bankası A.Ş. opened its first overseas branch in Khartoum, Sudan's capital. The development of foreign trade between Turkey and Sudan will assume the task of strengthening the bridges of economic relations. Ziraat Katılım Bankası A.Ş., operating in Ziraat Finance Group companies, the region in the forming synergies, generating sustained value recommending to more customers by sharing at every stage, continues to become a universal, respectable and leading participation financial institution.

As Ziraat Katılım Bankası A.Ş., our customers; It will continue to continue its activities without slowing down in terms of facilitating access to finance and making available funds under favorable conditions.

On August 4, 2020, our Bank and İstanbul Altın Rafinerisi A.Ş. (IAR) signed a protocol regarding Kuyumcu Altın Değerleme Sistemi (KAD-SIS).

With KAD-SIS (Kuyumcu Altın Değerleme Sistemi) project, in which public banks are stakeholders under the leadership of the Ministry of Treasury and Finance, it is aimed to increase scrap gold collection activities, reach wider masses and bring gold under the pillow to the economy.

With the transition to this system, it was ensured that the gold of our customers under the pillow was transferred to their bank accounts with special software and hardware via the IAR contracted jewelers (ADS) as of August 26, 2020. Thus, while gold collection days are organized at certain times with a limited number of experts assigned in the branches of our Bank, physical gold collection will be carried out throughout the country, including at the weekend, through the contracted jewelers of the İstanbul Altın Rafinerisi A.Ş. with KAD-SIS.

A study conducted by the Ministry of Finance and Treasury of our economy under the new program, Güneş Sigorta, Ziraat Sigorta and Halk Sigorta merged under the same roof which is Türkiye Sigorta A.Ş. and Vakıf Emeklilik ve Hayat A.Ş., Ziraat Hayat ve Emeklilik A.Ş. and Halk Hayat ve Emeklilik A.Ş. unite under the same roof which is Türkiye Hayat ve Emeklilik A.Ş. started to serve as.

Our bank began to offer Türkiye Sigorta A.Ş. and Türkiye Hayat ve Emeklilik A.Ş.'s products to customers.

As Ziraat Katılım Bankası A.Ş., in the third quarter of 2020, our efforts continued rapidly to expand the services we offer to our customers in the card payments sector, to ensure faster and safer transactions by improving the customer payment experience, and to increase the turnover market share.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

INTERIM ACTIVITY REPORT (Continued)

VI. 2020 III. INTERIM ACTIVITIES (Continued)

Ziraat Katılım Bankası A.Ş. Bankkart credit card pilot studies have been completed, and dissemination activities have been accelerated in the third quarter of 2020. It has been observed that the interest shown in our new product in the intense competitive environment in the Payment Systems sector is at satisfactory levels. Our projects have been accelerated in order to strengthen the position of our product in the sector, to maximize the customer shopping experience and to offer innovative solutions.

During the third quarter, our debit card turnover increased by 54% compared to the same period last year, and our POS turnover increased by 63% compared to the same period of the previous year.

Channel Management Department

Corporate Web Site & Internet Branch & Mobile Banking:

- The first phase of the "Digital Approval" project, which enables the forms received from our customers with signature at our branches to obtain approval from our customers by using Mobile Banking and Mobile Approval facilities, has been put into use.
- Internet and Mobile Banking channel registration of our individual customers can now be made from the branch using an SMS code sent to the customer, without the need for an application form.
- Our customers have started to create "Participation Keys" when they first enter the Internet and Mobile Banking channels to be used in security verifications in the future.
- Our Bank's Corporate Web Site has been renewed in line with user needs, using Open source code and new technologies.
- Persons or organizations aiming to develop applications in the field of banking and finance; The infrastructure works have been completed to open our Banking Services (API) to our external customers so that all entrepreneurs who have ideas or projects in the field of banking and finance can develop the most innovative and trend applications using this infrastructure.
- Our efforts for distant customer acquisition through Video Calls (Video call, biometric voice and face recognition technologies and application method) continue.

Customer satisfaction:

- Our project studies for analyzing, reporting and taking action on customer notifications with 'Artificial Intelligence Supported Text Analytics' have been completed.

Information Technologies Management Department

- Open Source Operation System Migration pilot branch studies were completed and expanded in 76 branches.
- As a result of the merger of Public Pension and Insurance Companies, necessary arrangements were made in banking transactions and screens.
- It was enabled to create a periodic payment plan with no payment in Retail Financing Products.
- SSI and tax collections were made possible with QR codes on banking screens.
- Test Automation Application installation and integration and trainings were completed in order to make the development tests for Alternative Distribution Channels more efficient.
- It has been ensured that bulk MVT payments can be made.
- Public Common ATM Project has been completed.
- Corporate Website Renewal Project was completed.
- School Collection System was integrated.
- Integration with the Civil Servants Electronic Salary Payment System.
- With the Ziraat Katılım Bankası A.Ş. Bankkart Project, the Credit Card infrastructure was completed.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

INTERIM ACTIVITY REPORT (Continued)

VII. EXPECTATIONS REGARDING THE POST - 2020 III. INTERIM PERIOD

The impact of the COVID-19 epidemic, which spread all over the world, on the global economy and social life began to decrease in the third quarter of the year. With the relaxation of the measures taken against the Covid-19 outbreak and the normalization process, the mood of optimism in the market continued to increase. Central banks continued to pursue expansionary policies to support the global economy suppressed by the epidemic, resulting in an increase in risk appetite. However, the fact that no vaccine to treat the virus has yet been found continues the danger of a new wave.

The virus wreaked havoc on the US economy and the US economy shrank by 31.4% in the second quarter of the year. The US Federal Reserve (FED) continued to take expansionary steps in monetary and fiscal policies in the third quarter of the year in order to reduce the negative effects of the virus on the economy and support growth. FED President Powell underlined that the monetary and fiscal policy measures taken in the USA stopped the recession created by the slowdown in the economy. In the USA, the unemployment rate, which rose to double digits during the epidemic period, entered a decreasing trend in the third quarter of the year, but still remains well above the pre-epidemic period. With the effect of the recovery in the US economy, long-term interest rates rose above short-term interest rates, while

inflation increased slightly. While negotiations for the incentive package prepared within the scope of combating coronavirus continue, the final result is after the presidential election. However, while a serious contraction occurred in the US economy in the first half of the year, it is expected that a recovery will occur in the rest of the year thanks to the measures taken.

In the Euro Zone, where the coronavirus epidemic was most affected, employment and income losses were observed, and serious contractions occurred in many service sectors, especially tourism. While the ECB continued its monetary expansion during the epidemic period, it did not make any changes in interest rates. ECB President Lagarde stated that a FED-style strategy could be applied to temporarily increase inflation above a certain level. While there was a 3.7% contraction in the GDP of the European Union in the first quarter of the year, a double-digit contraction occurred in the second quarter with the ongoing impact of the epidemic. However, with the effect of the recent positive expectations, the ECB has revised its contraction forecast for 2020 downward positively. While positive developments are experienced in the Euro Area PMI data, there are signs of recovery in industrial production figures. Manufacturing PMI index in the Euro Area rose to 53.7 points in September, the biggest improvement in the last two years. As a result, although macroeconomic data are still negative compared to the pre-epidemic period, optimistic expectations for the future continue.

In the third quarter of the year, with the normalization of global social life and the continuation of serious supply cuts, there was some recovery in oil prices; the barrel price of oil has again risen above \$ 40 per barrel. Commodity prices, which saw a serious decrease with the closing of the economies, experienced a rapid increase in the third quarter of the year. The improvement seen in the economies of developed countries has started to positively affect the economies of developing countries that export to these countries. Therefore, the signs of improvement seen in the global economy in the recent period have positively affected the attitude towards the economies of developing countries.

The epidemic began to decline in the third quarter, negative impact on Turkey's economy, while there are signs of growth in the real economy recovery in the financial markets began to be seen. In the second quarter of the year, when the epidemic was effective, the measures taken by our Government started to bear fruit, and the recent manufacturing industry and PMI data have exceeded expectations. In addition, social expenses and cash wage support were provided in our country due to Kovid-19 within the scope of the social state principle. Efforts were made to keep the demand at reasonable levels in the sectors experiencing contraction by using various fiscal policies. A significant recovery is observed in the third quarter of the year with the gradual normalization steps seen in economic activities and the acceleration gained in loans.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF
30 SEPTEMBER 2020**

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

INTERIM ACTIVITY REPORT (Continued)

VII. EXPECTATIONS REGARDING THE POST - 2020 III. INTERIM PERIOD (Continued)

Turkey and the impact of the pandemic during the second quarter of the year the economy contracted by 9.9%. Measures taken by economic authorities in order to prevent the negative effects of the epidemic on Turkey's economy has contributed to the restoration of financial stability by supporting the production and recovery potential. With the start of meeting the deferred demand and the reopening of the economy, there was a rapid increase in industrial production in the third quarter of the year, while the current account deficit was balanced. With the normalization process, the supply-side effects of the epidemic on inflation started to decrease gradually and tightening steps were taken as of August in order to control the demand-side inflationary expectations, and the TCMB increased the interest rates by 200 basis points in order to support price stability.

In the sectors where production was interrupted due to the epidemic, short-time work allowance continued to be given and income was provided to employees who could not work for a short time. Depending on the deferred demand and the measures taken in liquidity and credit policies, the recovery in imports is expected to continue. In addition, normalization steps such as increasing the swap limits and decreasing the asset ratio have been taken on behalf of the banking sector.

Despite some deterioration in budget figures due to the programs announced to reduce the effects of the virus and government expenditures, economic activity has also approached the pre-epidemic period. When the health authorities of our country, thanks to incentives which planned and organized manner and take measures provided by the government compared with other countries in combating the virus Turkey is writing a success story. Investments made in city hospitals and the health sector in recent years are among the main factors of this success.

.....