

**ZIRAAT KATILIM BANKASI
ANONIM SİRKETİ**

**PUBLICLY ANNOUNCED UNCONSOLIDATED FINANCIAL
STATEMENTS AND RELATED DISCLOSURES
AT 31 MARCH 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 31 March 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 three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial information in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation which includes "Regulation on Accounting Applications for Banks and Safeguarding of Documents" published in the Official Gazette no.26333 dated 1 November 2006, and other regulations on accounting records of Banks published by Banking Regulation and Supervision Agency and circulars and interpretations published by BRSA and Turkish Accounting Standard 34 "Interim Financial Reporting" for those matters not regulated by the aforementioned regulations. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

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



Basis for the Qualified Conclusion

As mentioned in Section Five Part II. 8.1.c, in the accompanying unconsolidated financial statements as at 31 March 2020 include a free provision amounting to TL 80.000 thousand provided in prior years by the Bank management which is not within the requirements of BRSA Accounting and Financial Reporting Legislation.

Qualified Conclusion

Based on our review, except for the effects of the matter on the unconsolidated financial statements described in the basis for the qualified conclusion paragraph above, nothing has come to our attention that causes us to believe that the accompanying unconsolidated financial information do not present fairly in all material respects the unconsolidated financial position of Ziraat Katılım Bankası Anonim Şirketi at 31 March 2020 and the results of its unconsolidated operations and its unconsolidated cash flows for the three-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 three months period ended 31 March 2019 were audited and reviewed by another auditor who expressed an 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 15 May 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 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.

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

Zeynep URAS, SMMM
Partner

Istanbul, 13 May 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 31 MARCH 2020**

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

- GENERAL INFORMATION ABOUT THE 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 three month period ended which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures Regarding Banks' Accounting and Keeping of Documents, Turkish Accounting Standards, Turkish Financial Reporting Standards, and related appendices and interpretations of these, and have been independently reviewed

Hüseyin AYDIN
Chairman of the Board

Metin OZDEMİR
Member of the Board,
General Manager

Cemalettin BAŞLI
Member of the Board,
Member of the Audit
Committee

Feyzi ÇUTUR
Member of the Board,
Member of the Audit Committee

Osman KARAKÜTÜK
Vice President of Treasury
Management and
International Banking

Gürkan ÇAKIR
Head of Financial
Management Department

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

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

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 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 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of the Bank has been raised from TL 1.250.000 to TL 1.750.000 by increasing the amount of cash by TL 500.000.

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2020

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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

As of 31 March 2020 and 31 December 2019, main shareholders and capital amounts as follows:

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

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
Yusuf DAĞCAN	Vice chairman of the BOD, Member of Corporate Management Committee, Substitute Member of the Credit Committee
Metin Özdemir	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Audit Committee, Member of Credit Committee
Mahmut KAÇAR	Member of the BOD, Corporate Governance Committee member, Member of Pricing Committee
Cemalettin BAŞLI	Member of the BOD, Member of the Audit 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 DEMİRKİRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

Chairman and members of the Board of Directors have no Bank's share capital.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD OF 1 JANUARY - 31 MARCH 2020

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

GENERAL INFORMATION ABOUT THE BANK (Continued)

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	-
Ziraat Sigorta A.Ş.	-	0,0000001	-	-
Ziraat 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.

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

Bank branches provides Islamic insurance within the principles of participation banking (takaful insurance) as an agent of Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. to their client.

As of 31 March 2020, the Bank operates with its 96 branches (31 December 2019: 93 domestic branches) and 1.171 (31 December: 1.129) employees domestically.

Bank has no branches abroad.

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

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

VII. 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 31 MARCH 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) Note (I)	Current Period (31/03/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		2.477.973	5.162.559	7.640.532	2.190.417	4.024.699	6.215.116
1.1 Cash And Cash Equivalents		70.092	4.257.489	4.327.581	105.170	3.705.513	3.810.683
1.1.1 Cash And Balances With Central Bank	(1)	68.140	2.218.353	2.286.493	100.139	2.794.300	2.894.439
1.1.2 Banks	(2)	2.459	2.039.136	2.041.595	5.205	911.213	916.418
1.1.3 Money Markets Placements		-	-	-	-	-	-
1.1.4 Provision for Expected Losses (-)	(4)	507	-	507	174	-	174
1.2 Financial Assets Measured At Fair Value Through Profit/Loss		342.305	-	342.305	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		342.305	-	342.305	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income		2.063.985	877.859	2.941.844	2.085.220	301.717	2.386.937
1.3.1 Government Securities	(3)	-	-	-	-	-	-
1.3.2 Equity Securities		10.427	-	10.427	7.672	-	7.672
1.3.3 Other Financial Assets		2.053.558	877.859	2.931.417	2.077.548	301.717	2.379.265
1.4 Derivative Financial Assets	(5)	1.591	27.211	28.802	27	17.469	17.496
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit and Loss		1.591	27.211	28.802	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)		18.541.766	12.925.341	31.467.107	18.004.119	11.534.815	29.538.934
2.1 Loans	(6)	17.465.577	10.284.587	27.750.164	17.045.982	8.862.682	25.908.664
2.2 Lease Receivables		1.828.033	2.040.263	3.868.296	1.531.983	2.124.383	3.656.366
2.3 Measured at Amortized Cost	(7)	-	600.491	600.491	-	547.750	547.750
2.3.1 Government Securities		-	600.491	600.491	-	547.750	547.750
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		751.844	-	751.844	573.846	-	573.846
ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	100.941	-	100.941	104.069	-	104.069
3.1 Assets Held for Sale		100.941	-	100.941	104.069	-	104.069
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
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)	160.335	-	160.335	157.597	-	157.597
VI. INTANGIBLE ASSETS (Net)	(11)	121.729	-	121.729	120.641	-	120.641
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		121.729	-	121.729	120.641	-	120.641
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(14)	50.758	-	50.758	42.153	-	42.153
X. OTHER ASSETS	(15)	175.104	68.859	243.963	148.037	65.527	213.564
TOTAL ASSETS		21.628.706	18.156.759	39.785.465	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 31 MARCH 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	Current Period			Prior Period		
	(V) Note	(31/03/2020)			(31/12/2019)		
	(II)	TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	13.210.019	15.166.709	28.376.728	13.032.205	12.425.040	25.457.245
II. FUNDS BORROWED	(2)	3.105.061	3.151.854	6.256.915	2.857.534	3.121.136	5.978.670
III. MONEY MARKETS DEBTS	(3)	24.797	-	24.797	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)	434	60	494	19	12.460	12.479
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		434	60	494	19	12.460	12.479
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	102.790	14.016	116.806	97.792	12.267	110.059
VIII. PROVISIONS	(8)	242.905	75.879	318.784	189.634	45.645	235.279
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		44.989	-	44.989	35.712	-	35.712
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		197.916	75.879	273.795	153.922	45.645	199.567
IX. CURRENT TAX LIABILITY	(9)	70.472	-	70.472	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	589.730	889.990	312.351	537.338	849.689
12.1 Loans		300.260	589.730	889.990	312.351	537.338	849.689
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	384.468	96.722	481.190	363.592	76.805	440.397
XIV. SHAREHOLDERS' EQUITY	(14)	3.249.231	58	3.249.289	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		25.907	58	25.965	56.429	642	57.071
14.5 Profit Reserves		555.646	-	555.646	555.646	-	555.646
14.5.1 Legal Reserves		35.234	-	35.234	35.234	-	35.234
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		488.002	-	488.002	488.002	-	488.002
14.5.4 Other Profit Reserves		32.410	-	32.410	32.410	-	32.410
14.6 Profit or (Loss)		658.530	-	658.530	544.963	-	544.963
14.6.1 Prior Period Profit / Loss		544.963	-	544.963	28.228	-	28.228
14.6.2 Current Period Profit / Loss		113.567	-	113.567	516.735	-	516.735
TOTAL LIABILITIES		20.690.437	19.095.028	39.785.465	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 OFF - BALANCE SHEET COMMITMENTS FOR THE YEAR ENDED 31 MARCH 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)	Current Period (31/03/2020)			Prior Period (31/12/2019)		
		TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(I)	5.668.680	9.949.578	15.618.258	5.266.395	9.101.213	14.367.608
I. GUARANTEES AND WARRANTIES		5.088.378	7.502.414	12.590.792	4.926.966	6.401.171	11.328.137
1.1 Letters of Guarantee		5.048.876	4.767.799	9.816.675	4.892.685	4.488.870	9.381.555
1.1.1 Guarantees Subject to State Tender Law		126.695	1.483.011	1.609.706	119.125	1.304.053	1.423.178
1.1.2 Guarantees Given for Foreign Trade Operations		4.706.457	-	4.706.457	4.559.726	-	4.559.726
1.1.3 Other Letters of Guarantee		215.724	3.284.788	3.500.512	213.834	3.184.817	3.398.651
1.2 Bank Acceptances		-	10.175	10.175	-	18.753	18.753
1.2.1 Import Letter of Acceptance		-	10.175	10.175	-	18.753	18.753
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		30.439	1.284.746	1.315.185	29.071	954.074	983.145
1.3.1 Documentary Letters of Credit		30.439	1.284.746	1.315.185	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		-	1.439.694	1.439.694	-	939.474	939.474
1.7 Other Collaterals		9.063	-	9.063	5.210	-	5.210
II. COMMITMENTS	(I)	547.818	652.285	1.200.103	334.484	65.749	400.233
2.1 Irrevocable Commitments		547.818	652.285	1.200.103	334.484	65.749	400.233
2.1.1 Forward asset purchase commitments		221.848	323.285	545.133	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		191.298	-	191.298	157.323	-	157.323
2.1.7 Tax and Fund Liabilities from Export Commitments		12.485	-	12.485	11.509	-	11.509
2.1.8 Commitments for Credit Card Limits		-	-	-	-	-	-
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		122.187	329.000	451.187	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		32.484	1.794.879	1.827.363	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		32.484	1.794.879	1.827.363	4.945	2.634.293	2.639.238
3.2.1 Forward Foreign Currency Buy/Sell Transactions		32.484	1.794.879	1.827.363	4.945	2.634.293	2.639.238
3.2.1.1 Forward Foreign Currency Transactions-Buy		7.412	920.038	927.450	4.945	1.317.991	1.322.936
3.2.1.2 Forward Foreign Currency Transactions-Sell		25.072	874.841	899.913	-	1.316.302	1.316.302
3.2.2 Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		33.285.927	5.068.009	38.353.936	30.357.632	4.147.848	34.505.480
IV. ITEMS HELD IN CUSTODY		4.835.780	1.975.753	6.811.533	4.972.403	1.315.878	6.288.281
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		4.259.461	-	4.259.461	4.448.877	-	4.448.877
4.3 Checks Received for Collection		517.221	92.723	609.944	438.873	95.040	533.913
4.4 Commercial Notes Received for Collection		58.823	11.810	70.633	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		275	506.650	506.925	29.472	347.982	377.454
4.8 Custodians		-	1.364.570	1.364.570	-	859.652	859.652
V. PLEDGES RECEIVED		28.450.147	3.092.256	31.542.403	25.385.229	2.831.970	28.217.199
5.1 Marketable Securities		824.893	106.335	931.228	907.668	150.109	1.057.777
5.2 Guarantee Notes		1.419.636	197.224	1.616.860	1.138.470	177.775	1.316.245
5.3 Commodity		1.768.026	671.079	2.439.105	1.493.748	544.166	2.037.914
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		19.618.661	1.123.161	20.741.822	17.783.352	1.032.354	18.815.706
5.6 Other Pledged Items		4.818.931	994.457	5.813.388	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)		38.954.607	15.017.587	53.972.194	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 THE YEAR ENDED 31 MARCH 2020

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS			
INCOME / EXPENSE ITEMS	Section (V) Note (IV)	Current Period 01/01-31/03/2020	Prior Period 01/01-31/03/2019
I. PROFIT SHARE INCOME	(1)	901.896	792.313
1.1 Profit Share on Loans		713.921	643.732
1.2 Profit Share on Reserve Deposits		4.000	13.480
1.3 Profit Share on Banks		-	288
1.4 Profit Share on Money Market Placements		-	-
1.5 Profit Share on Marketable Securities Portfolio		86.199	41.452
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		10.575	-
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		75.624	41.452
1.5.3 Financial Assets Measured at Amortised Cost		-	-
1.6 Financial Lease Income		94.256	87.190
1.7 Other Profit Share Income		3.520	6.171
II. PROFIT SHARE EXPENSE	(2)	424.095	536.081
2.1 Expense on Profit Sharing Accounts		288.772	370.617
2.2 Profit Share Expense on Funds Borrowed		128.110	151.899
2.3 Profit Share Expense on Money Market Borrowings		1.467	4.261
2.4 Expense on Securities Issued		-	4.604
2.5 Lease Profit Share Expense		5.746	4.682
2.6 Other Profit Share Expenses		-	18
III. NET PROFIT SHARE INCOME (I - II)		477.801	256.232
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		16.936	23.751
4.1 Fees and Commissions Received		36.232	31.125
4.1.1 Non-cash Loans		27.357	26.304
4.1.2 Other		8.875	4.821
4.2 Fees and commissions paid		19.296	7.374
4.2.1 Non-cash Loans		-	35
4.2.2 Other		19.296	7.339
V. DIVIDEND INCOME	(3)	-	2.762
VI. NET TRADING INCOME	(4)	29.226	13.489
6.1 Capital Market Transaction Gains / Losses		39.068	121
6.2 Gains/ Losses From Derivative Financial Instruments		24.858	28.058
6.3 Foreign Exchange Gains / Losses		(34.700)	(14.690)
VII. OTHER OPERATING INCOME	(5)	71.524	98.291
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		595.487	394.525
IX. EXPECTED CREDIT LOSSES (-)	(6)	311.748	148.458
X. OTHER PROVISIONS (-)		16.016	7.316
XI. PERSONNEL EXPENSES (-)		53.976	44.686
XII. OTHER OPERATING EXPENSES (-)	(7)	67.708	59.829
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		146.039	134.236
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 (XII+...+XV)	(8)	146.039	134.236
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(32.472)	(29.975)
18.1 Current Tax Provision		(32.280)	(26.161)
18.2 Expense Effect of Deferred Tax (+)		(5.738)	(6.297)
18.3 Income Effect of Deferred Tax (-)		5.546	2.483
XIX. OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	(10)	113.567	104.261
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)	113.567	104.261
Earnings per share income/loss (Full TL)		0,0649	0,0600

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 THREE MONTH PERIOD ENDED 31 MARCH 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 01/01-31/03/2020	Prior Period 01/01-31/03/2019
I. CURRENT PERIOD PROFIT/LOSS	113.567	104.261
II. OTHER COMPREHENSIVE INCOME	(31.106)	17.415
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	(31.106)	17.415
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	(39.903)	21.246
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	8.797	(3.831)
III. TOTAL COMPREHENSIVE INCOME (I+II)	82.461	121.676

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

ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE MONTH PERIOD ENDED 31 MARCH 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
I. Prior Period 1 January - 31.03.2019	1.750.000	-	-	-	-	1.473	-	-	(39.807)	-	158.593	25.660	322.665	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	25.660	322.665	2.218.584
IV. Total Comprehensive Income	-	-	-	-	-	-	-	-	17.415	-	-	-	104.261	121.676
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I. Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/Decrease by Other Changes (*)	-	-	-	250.000	-	191	-	-	-	-	76.956	-	-	327.147
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	322.665	(322.665)	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period End Balance (III+IV.....+X+XI)	1.750.000	-	-	250.000	-	1.664	-	-	(22.392)	-	235.549	348.325	104.261	2.667.407
Current Period 1 January - 31.03.2020														
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	0	-	-	-	-	-	-	-	(31.106)	-	-	-	113.567	82.461
V. Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-
I. Convertible Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increase/decrease by other Changes (**)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(2.365)	-	-	25.965	-	555.646	544.963	113.567	3.249.289

(*) 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.

(**) Includes fair value of initial recognition effects amounting to TL 11.513 of subordinated loan provided by the Bank 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 and financial assets measured at amortized cost, which are provided on 24 April 2019, approved by BRSA dated 22 April 2019.

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 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 - 31/03/2020	Prior Period 01/01/2019- 31/03/2019
	Note (VI)		
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities)		42.757	(67.455)
1.1.1 Profit Share Income Received		838.986	680.042
1.1.2 Profit Share Expense Paid		(431.473)	(460.398)
1.1.3 Dividend Received		-	2.762
1.1.4 Fees and Commissions Received		25.918	23.751
1.1.5 Other Income		100.751	9.239
1.1.6 Collections from Previously Written-off Loans		24.248	12.108
1.1.7 Payments to Personnel and Service Suppliers		(53.976)	(45.576)
1.1.8 Taxes Paid		(38.777)	(6.175)
1.1.9 Others ^(*)		(422.920)	(283.208)
1.2 Changes in Operating Assets and Liabilities		1.601.362	1.133.569
1.2.1 Net (Increase) / Decrease in Financial Assets at Fair Value Through Profit or Loss		(374.292)	(20.560)
1.2.2 Net (Increase) / Decrease in Due From Banks And Other Financial Institutions		477.986	(223.591)
1.2.3 Net (Increase) / Decrease in Loans		(1.841.500)	736.069
1.2.4 Net (Increase) / Decrease in Other Assets		56.132	68.771
1.2.5 Net Increase / (Decrease) in Bank Funds		5.675	(9.159)
1.2.6 Net Increase / (Decrease) in Other Funds		2.913.808	879.858
1.2.7 Net Increase / Decrease in Financial Liabilities at Fair Value Through Profit or Loss		(11.985)	-
1.2.8 Net Increase / (Decrease) in Funds Borrowed		279.123	681.031
1.2.9 Net Increase / (Decrease) in Payables		-	-
1.2.10 Net Increase / (Decrease) in Other Liabilities ^(*)		96.415	(978.850)
I. Net Cash Provided from Banking Operations		1.644.119	1.066.114
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		(542.798)	(388.719)
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		(15.659)	(7.173)
2.4 Disposals of Tangible Assets		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(471.316)	(380.283)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortized Cost		(52.741)	-
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		(3.082)	(1.263)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		224.223	(1.167.373)
3.1 Cash Obtained from Funds Borrowed And Securities Issued		40.301	2.800.000
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		-	(3.959.496)
3.3 Issued Equity Instruments		187.229	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(3.307)	(7.877)
3.6 Other		-	-
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents		40.409	82.265
V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)		1.365.953	(407.713)
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		2.429.882	737.819

(*) 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 31 MARCH 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 issued its financial statements in the Official Gazette No. 26333 dated November 1, 2006, and the “Regulation on Procedures and Principles Regarding Accounting Practices of Banks and Storing Documents” and other regulations issued by the Banking Regulation and Supervision Board and Supervision Agency (“BRSA”) circulars and descriptions and unregulated issues with their Public Oversight Accounting and Auditing Standards Board (“UPS”) by which was enacted Turkey Financial Reporting Standards (“IFRS”) contains provisions; It regulates in accordance with the “BRSA Accounting and Financial Reporting Legislation”.

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 31 MARCH 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 31 MARCH 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 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.

With the Board of Directors decision dated 21 February 2019 and numbered 6/1, the Bank takes over Ziraat Finansal Kiralama A.Ş. As a result of the merger, Ziraat Finansal Kiralama A.Ş.' 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Parent Bank. Ziraat Yatırım Menkul Değerler A.Ş., registered in the 364979 registry number, was transferred to Ziraat Bankası A.Ş. on November 22, 2019, with a nominal value of TL 14.400, corresponding to 24%.

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 "TFRS 9 Financial Instruments" ("TFRS 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
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(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 31 March 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
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(Unless otherwise stated amounts are expressed in thousands of Turkish Lira ("TL"))

ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (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 31 March 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.

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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.

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ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 March 31, 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.

Financial assets at fair value through other comprehensive income

As of 31 March 2020, the Bank has revised 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. As of the reporting date, there are no changes in the fair valuation measurement that will require any correction.

Financial assets at fair value through profit or loss

As of 31 March 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.

30-90 Days

In accordance with the BRSA Decision No. 8970 dated 27 March 2020, the Bank reserves a 12-month expected credit loss provision for the loans that continue to be classified in the First Group, valid until 31 December 2020. However, according to the Bank's risk models, the probability of default and loss in default are considered higher than other loans in stage 1, since the number of days in the 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.

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ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

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 31 March 2020 and the current market effect was reflected in the ECL calculation.

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

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

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

The assets acquired by the Bank due to its receivables are accounted for in accordance with “TFRS 5 Turkish Financial Reporting Standard for Non-current Assets Held for Sale and Discontinued Operations” in financial statement of the Bank. The assets that meet the criteria of being classified under assets held for sale are measured at the lower of their book values or fair value less costs to be incurred for sale, and depreciation for these assets is ceased and these assets are presented separately in the balance sheet. In order for an asset to be classified as an asset held for sale, the related asset (or the asset group to be disposed) shall be ready to be sold immediately under usual conditions and should have a high possibility to be sold. In order to have a high probability of sales, a plan for the sale of the asset (or group of assets to be disposed of) must have been prepared by an appropriate management team and an active program has been initiated to identify buyers and complete the plan. The properties acquired by the Bank due to receivables are shown in the line of held for sale in the financial statements depending on the termination of the term sales contract. A discontinued operation is a division of a business that is classified as disposed or held for sale. The results related to discontinuing operations are pres.

As of 31 March 2020, the Bank's held for sale tangible assets is TL 100.941 (31 December 2019: TL 104.069).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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ACCOUNTING PRINCIPLES (Continued)

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% – 25%
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.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

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

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AS OF 31 MARCH 2020**

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ACCOUNTING PRINCIPLES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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.

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

ACCOUNTING PRINCIPLES (Continued)

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

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 31 March 2020, the Bank's employee termination benefit is TL 9.714 (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 31 March 2020 unused vacation liability of the Bank is TL 7.150 (31 December 2019: TL 6.050).

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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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.

After the justified decree related to cancellation was announced by the Constitutional Court, Turkish Grand National Assembly started to work on establishing new legal regulations, and after it was approved at the General Assembly of the TGNA, the Law numbered 5754 "Emendating Social Security and General Health Insurance Act and Certain Laws and Decree Laws" ("Renewed Law"), which was published on the Official Gazette dated 8 May 2008 and numbered 26870, came into effect.

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.

However related transfer period has been prolonged for the banks, insurance and reinsurance companies, chamber of commerce, chamber of industries, stock exchanges or their Funds founded for their organization's personnel and monthly payment or income earners and their rightful owners, as a part of the temporary 20th Statute of the law numbered 506, to transfer to the Social Security Institution (SSI) for 2 years by the Cabinet decision, which was published on the Official Gazette dated 9 April 2011 and numbered 27900.

In addition, by the Law numbered 6283 "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.

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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.

Lastly, 51st article of Law No.6645 dated 23 April 2015, published on Official Gazette and the first paragraph of the transient 20th article of Law No.5510 related to the transfer of Bank and Insurance Funds to Social Security Institution; "Council of Ministers is the authority to determine the date of transfer of banks, insurance and reinsurance companies, boards of trade, chambers of industry and stock markets or the participants of funds established for their constitute union personnel and the ones that were endowed salary or income and their beneficiaries within the scope of transient 20th article of Law No.506. As from the transfer date, the participants are considered as insured within the scope of clause (a), first paragraph and 4th article of this Law.

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.

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

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

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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 expented part of revenue to the other accounts with other ways out of capitalizing in five years or withdrawn from company or transferring from limited taxpayer corporations to the headquarters, are considered as tax loss. This is also be applicable in the condition of liquidation of business (Except transfers and divisions that make according to this code).

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

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

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 31 MARCH 2020

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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

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 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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SECTION FOUR

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 31 March 2020 current period capital amount of the Bank is TL 4.015.605 (31 December 2019: TL 3.901.711), and capital adequacy standard ratio is 14,28% (31 December 2019: 16,58%).

Information Related To The Components of Shareholders' Equity:

	Current Period 31.03.2020	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	-
Share issue premiums	-	-
Reserves	817.159	-
Gains recognized in equity as per TAS	23.600	-
Profit	658.530	-
Current Period Profit	113.567	-
Prior Period Profit	544.963	-
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	3.249.289	
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	19.900	-
Goodwill (net of related tax liability)	-	-
Other intangibles other than mortgage-servicing rights (net of related tax liability)	121.729	-
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	-	-
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	-
Excess amount arising from mortgage servicing rights	-	-
Excess amount arising from deferred tax assets based on temporary differences	-	-
Other items to be defined by the BRSA	-	-
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	-
Total Deductions From Common Equity Tier 1 Capital	141.629	
Total Common Equity Tier 1 Capital	3.107.660	

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31.03.2020	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA ^(**)	562.995	
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 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	562.995	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.670.655	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA ^(***)	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)	46.501	
Tier II Capital Before Deductions	346.501	
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	346.501	
Total Capital (The sum of Tier I Capital and Tier II Capital)	4.017.156	

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 31.03.2020	Amounts related to treatment before 1/1/2014(*)
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 (-)	1,551	
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 ^(**)	4,015,605	
Total risk weighted amounts	28,127,026	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	11,05	
Tier I Capital Adequacy Ratio	13,05	
Capital Adequacy Ratio	14,28	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2,50	
a) Capital conservation buffer requirement	2,50	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	6,55	
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)	46,501	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	46,501	
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 31 MARCH 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)**

	Prior Period 31.12.2019	Amounts related to treatment before 1/1/2014(*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	817.159	
Gains recognized in equity as per TAS	54.706	
Profit	544.963	
Current Period Profit	516.735	
Prior Period Profit	28.228	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Premiums on sale of share certificates	-	
Common Equity Tier 1 Capital Before Deductions	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	20.324	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	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	-	
Total Deductions From Common Equity Tier 1 Capital	140.875	
Total Common Equity Tier 1 Capital	3.025.953	

ZİRAAT KATILIM BANKASI A.Ş.

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2019	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER I CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA	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 I capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	519.350	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.545.303	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	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)	57.294	
Tier II Capital Before Deductions	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	357.294	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.902.597	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)

	Prior Period 31.12.2019	Amounts related to treatment before 1/1/2014(*)
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 Immovable 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 (-)	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	3.901.711	
Total risk weighted amounts	23.533.881	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12,86	
Tier I Capital Adequacy Ratio (%)	15,06	
Capital Adequacy Ratio (%)	16,58	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (a+b+c)	2,50	
a)Capital conservation buffer requirement	2,50	
b)Bank specific counter-cyclical buffer requirement	0,00	
c)Systemic significant bank buffer ratio	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 (%)	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)	57.294	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	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 the transitional provisions.

(**) Ziraat Katılım Bankası A.Ş. has provided loans on 24 April 2019 with an amount of EUR 100.000 in case of main capital and without profit with the permission of BRSA dated 22 April 2019capital.

(***) In order to obtain a supplementary capital of TL 300.000, TC Ziraat Bankası A.Ş. A contract was signed with the company on March 28, 2019 and this loan was actually used on March 29, 2019 and entered into the Bank's accounts. 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 31 MARCH 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 31 MARCH 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)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 519 Million
Par value of instrument	TL 519 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 incompliances 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 31 MARCH 2020**

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT
OF THE BANK (Continued)****I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)****Required explanations for the reconciliation between table of equity components and balance sheet:**

The main difference between the amount of "Equity" given in the statement of equity and the amount of "Equity" in the unconsolidated balance sheet arises from general provisions. The part of general provisions up to 1.25% of the amount subject to credit risk is considered as Contribution Capital in the calculation of the "Equity" amount given in the equity table. On the other hand, operating lease development costs, intangible fixed assets and real estates, which are monitored in the Tangible Fixed Assets item, are taken into account in the calculation as Capital Deducted Values in the calculation of the "Equity" amount..

	Current Period	Prior Period
Equity value of balance sheet	3.249.289	3.166.828
Cost of development of operating lease	(19.900)	(20.234)
Goodwill and other intangible assets and related deferred tax liability	(121.729)	(120.641)
Debt instruments and premiums approved by BRSA	300.000	300.000
Tier II Capital	46.501	57.294
Defined-benefit pension fund net assets	-	-
Debt instruments and premiums approved by BRSA –subordinated loans	562.995	519.350
Other values deducted from equity	(1.551)	(886)
Amount taken into consideration in the calculation of legal equity	4.015.605	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 31 March 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 31 MARCH 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
31.03.2020	6,5800	7,2134	4,0042	0,9622	0,6593	6,7790	4,5756	0,6224	8,1435	1,7339	6,0320
30.03.2020	6,5658	7,2366	4,0197	0,9646	0,6494	6,8257	4,5890	0,6164	8,1266	1,7343	6,0130
27.03.2020	6,4320	7,0775	3,8815	0,9440	0,6404	6,6803	4,5155	0,6034	7,8897	1,6992	5,8910
26.03.2020	6,3772	7,0026	3,8249	0,9337	0,6350	6,5742	4,4879	0,6040	7,6647	1,6852	5,7470
25.03.2020	6,4320	6,9476	3,8117	0,9262	0,6297	6,5488	4,4390	0,5820	7,5097	1,6997	5,7060
24.03.2020	6,4586	6,9641	3,8146	0,9284	0,6303	6,5631	4,4143	0,5765	7,5452	1,7065	5,7410

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 Yen
6,1001	6,7163	3,9921	0,8952	0,6273	6,2900	4,4959	0,6407	7,7922	1,6133	5,5436

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	722.611	991.243	504.499	2.218.353
Banks	1.091.935	344.123	603.078	2.039.136
Financial assets at fair value through profit and loss (***)	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	217.833	660.026	-	877.859
Loans (*)	5.435.842	7.645.218	-	13.081.060
Equity Investments	-	-	-	-
Financial assets measured at amortised cost	600.491	-	-	600.491
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	2.510	930	65.419	68.859
Total assets (***)	8.071.222	9.641.540	1.172.996	18.885.758
Liabilities				
Current account and funds collected from Banks via participation accounts	21	107	-	128
Current and profit sharing accounts FC	6.412.953	7.366.299	1.387.329	15.166.581
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	2.209.532	942.322	-	3.151.854
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities (****)	720.161	52.839	3.345	776.347
Total liabilities (***)	9.342.669	8.361.567	1.390.674	19.094.910
Net balance sheet position	(1.271.447)	1.279.973	(217.678)	(209.152)
Net off-balance sheet position (**)	(867.400)	912.597	-	45.197
Financial derivative assets	1.443	918.595	-	920.038
Financial derivative liabilities	868.843	5.998	-	874.841
Non-cash loans	4.097.738	3.313.790	90.886	7.502.414
Prior Period				
Total assets	8.991.264	6.308.6027	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 239.640 equivalent balance to USD and TL 516.570 equivalent balance to EUR has been included in the loans balance

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

(***) In accordance with the provisions of the "Regulation on Calculation and Implementation of Foreign Currency Net General Position / Equity Standard Ratio by Banks" on the Consolidated and Non-Consolidated Basis, the Derivative Financial Assets amount is 27.211 TL and the Derivative Financial Liabilities amount is not taken into account in the foreign currency risk calculation.

(****) The currencies in the other FX column of the assets section consist of 84% Gold, 6% AED, 3% GBP, 4% CHF and the remaining 3% other currencies. 92% of the currencies in the FC column of the Liabilities section consist of Gold, 3% GBP, 3% CHF and the remaining 2% other currencies.

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

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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 14.274 all of which are 100% risk weighted (31 December 2019: TL 11.519).

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.

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

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

- 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.

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE
BANK (Continued)****IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY
COVERAGE RATIO (Continued)**

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

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	5.597.388	3.464.126	5.597.388	3.464.126
High quality liquid assets	-	-	5.597.388	3.464.126
CASH OUTFLOWS	32.510.723	14.914.507	7.737.657	3.571.173
Real person deposits and retail deposits	13.516.572	7.106.043	1.224.960	710.604
Stable deposit	2.533.957	-	126.698	-
Deposit with low stability	10.982.615	7.106.043	1.098.262	710.604
Unsecured debts except real person deposits and retail deposits	9.739.770	3.842.425	5.090.091	1.774.688
Operational deposit	-	-	-	-
Non-operational deposits	-	-	-	-
Other unsecured debts	9.739.770	3.842.425	5.090.091	1.774.688
Secured debts	-	-	-	-
Other cash outflows	9.254.382	3.966.038	1.422.606	1.085.881
Derivative liabilities and margin obligations	776.836	714.512	776.519	714.512
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	880.416	835.213	266.231	250.553
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	7.597.130	2.416.313	379.856	120.816
TOTAL CASH OUTFLOWS	32.510.724	14.914.506	7.737.657	3.571.173
CASH INFLOWS	8.032.623	4.014.333	6.941.163	3.684.045
Secured receivables	-	-	-	-
Unsecured claims	7.171.811	3.180.485	6.080.351	2.850.197
Other cash inflows	860.812	833.848	860.812	833.848
TOTAL CASH INFLOWS	8.032.623	4.014.333	6.941.163	3.684.045
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	5.597.388	3.464.126
TOTAL NET CASH OUTFLOWS	-	-	1.934.414	892.793
LIQUIDITY COVERAGE RATIO (%)	-	-	289	388

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

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

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

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ^(*)	388.286	1.898.172	-	-	-	-	-	2.286.458
Banks ^(*)	2.041.123	-	-	-	-	-	-	2.041.123
Financial Assets at Fair Value Through Profit and Loss	-	-	-	68.570	273.735	-	-	342.305
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	36.318	65.483	519.292	2.310.324	-	10.427	2.941.844
Loans Given	-	3.908.418	2.227.586	6.534.451	14.670.096	3.526.065	-	30.866.616
Financial Assets Measured at Amortised Cost	-	-	-	-	600.491	-	-	600.491
Other Assets ^(**)	-	-	-	-	-	-	706.628	706.628
Total Assets	2.429.409	5.842.908	2.293.069	7.122.313	17.854.646	3.526.065	717.055	39.785.465
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	131	-	-	-	-	-	-	131
Current and Participation Accounts	5.095.517	15.402.166	4.843.764	3.014.079	21.071	-	-	28.376.597
Funds Provided from Other Financial Instruments	-	2.758.108	2.040.282	811.951	580.248	66.326	-	6.256.915
Money Market Borrowings	-	24.797	-	-	-	-	-	24.797
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities ^(***)	-	-	-	-	889.990	-	4.237.035	4.951.336
Total Liabilities	5.095.648	18.185.071	6.884.046	3.826.030	1.491.309	66.326	4.237.035	39.785.465
Liquidity Gap	(2.666.239)	(12.342.163)	(4.590.977)	3.296.283	16.363.337	3.459.739	(3.519.980)	-
Net Off-Balance Sheet Position	-	27.405	(281)	413	-	-	-	27.536
Receivables From Derivative Financial Instruments	-	893.660	11.455	22.335	-	-	-	927.450
Financial Derivative Liabilities	-	866.255	11.736	21.922	-	-	-	899.913
Non-Cash Loans	2.026.198	1.039.049	1.517.803	4.960.862	2.862.484	184.396	-	12.590.792

(*) Includes expected loss provision.

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

(***) Includes subordinated debt instruments.

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

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
Prior Period								
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 provision.

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

(***) Includes subordinated debt instruments.

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

V. EXPLANATIONS ON LEVERAGE RATIO

As of 31 March 2020, the leverage ratio of the Bank calculated from the average of three months is 7,1%. (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.

Leverage ratio disclosure as follows:

Balance sheet assets	Current Period ^(*)	Prior Period ^(*)
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	37.890.689	33.912.199
(Assets deducted from main capital)	(141.212)	(136.619)
Total risk amount of the balance sheet assets	37.749.477	33.775.580
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	26.408	20.334
Potential credit risk amount of derivative financial instruments and credit derivatives	10.745	14.549
Total risk amount of derivative financial instruments and credit derivative	37.153	34.883
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	86.799	65.054
Risk amount due to intermediated transactions		-
Total risk amount of security or secured financing transactions	86.799	65.054
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	12.853.017	11.309.929
(Adjustment amount resulting from multiplying by credit conversion rates)		-
Risk amount of the off-balance sheet transactions	12.853.017	11.309.929
Equity and total risk		
Main capital	3.618.678	3.486.792
Total risk amount	50.726.446	45.185.446
Leverage ratio		
Leverage ratio	7,1	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 to support their financial success. In this context, business practices and our working model support prudent risk management practices.

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

VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

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.

Our 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	Prior Period	Current Period
	Overview of RWA			
1	Credit risk (excluding counterparty credit risk) (CCR)	25.677.932	22.300.429	2.054.235
2	Standardized approach (SA)	25.677.932	22.300.429	2.054.235
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	75.364	45.469	6.029
5	Standardized approach for counterparty credit risk (SA-CCR)	75.364	45.469	6.029
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	542.006	183.570	43.360
17	Standardized approach (SA)	542.006	183.570	43.360
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)	28.127.026	23.533.881	2.250.162

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

VIII. EXPLANATIONS ON RISK PROTECTION PROCEDURES

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

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

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

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

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

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

IX. EXPLANATIONS ON THE ACTIVITY DEPARTMENTS

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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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:

Current Period 1 January – 31 March 2020	Private Banking	Corporate / Entrepreneurial Banking	Treasury/ Investment Banking	Other	Total
OPERATING INCOME / EXPENSES					
Profit Shares Income	70.983	642.938	90.199	97.776	901.896
Profit Shares from Loans	70.983	642.938	-	-	713.921
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	86.199	-	86.199
Other Profit Shares	-	-	4.000	97.776	101.776
Profit Shares Expense	165.432	123.340	129.577	5.746	424.095
Profit Shares Expense on Participation Funds	165.432	123.340	-	-	288.772
Profit Shares Expense on Funds Borrowed	-	-	128.110	-	128.110
Profit Shares Expense on Money Market Transactions	-	-	1.467	-	1.467
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	5.746	5.746
Net Profit Shares Income/Expense	(94.449)	519.598	(39.378)	92.030	477.801
Net Fees and Commission Income/Expense	5.777	27.357	-	(16.198)	16.936
Fees and Commissions Received	5.777	27.357	-	3.098	36.232
Fees and Commissions Paid	-	-	-	19.296	19.296
Dividend Income	-	-	-	-	-
Trading Income/Loss (Net)	-	-	29.226	-	29.226
Other Operating Income	-	79	-	71.445	71.524
Provision for Loans or Other Receivables Losses	21.607	230.974	-	59.167	311.748
Other Provision expense	-	-	-	16.016	16.016
Personnel Expenses	-	-	-	53.976	53.976
Other Operating Expense	-	-	-	67.708	67.708
Income Before Tax	(110.279)	316.060	(10.152)	(49.590)	146.039
Tax Provision	-	-	-	(32.472)	(32.472)
Net Profit/Loss	(110.279)	316.060	(10.152)	(82.062)	113.567
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	342.305	-	342.305
Banks ^(*)	-	-	2.041.123	-	1.041.123
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	2.941.844	-	2.941.844
Loans ^(*) ^(**)	2.410.735	25.770.319	2.685.562	-	30.866.616
Financial Assets Measured at Amortised Cost	-	-	600.491	-	600.491
Derivative Financial Assets	-	-	28.802	-	28.802
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets ^(*)	-	-	-	2.964.184	2.964.184
Total Segment Assets	2.410.735	25.770.319	8.640.227	2.964.184	39.785.465
SEGMENT LIABILITIES					
Funds Collected	18.237.303	10.139.425	-	-	28.376.728
Derivative Financial Liabilities	-	-	494	-	494
Funds Borrowed	-	-	6.256.915	-	6.256.915
Money Market Funds	-	-	24.797	-	24.797
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	318.784	318.784
Other Liabilities	-	-	-	1.558.458	1.558.458
Shareholders' Equity	-	-	-	3.249.289	3.249.289
Total Segment Liabilities	18.327.303	10.139.425	6.282.206	5.126.531	39.785.465

(*) Includes expected loss provisions.

(**) Includes lease receivables.

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

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

IX. EXPLANATIONS ON THE ACTIVITY DEPARTMENTS (Continued)

Table for Segment Reporting

Prior Period (1-January-31 December 2019)(***)	Private Banking	Corporate / Entrepreneurial Banking	Treasury/ Investment Banking	Other	Total
OPERATING INCOME / EXPENSES					
Profit Shares Income	49.859	593.873	55.220	93.361	792.313
Profit Shares from Loans	49.859	593.873	-	-	643.732
Profit Shares from Banks	-	-	288	-	288
Profit Shares from Securities	-	-	41.452	-	41.452
Other Profit Shares	-	-	13.480	93.361	106.841
Profit Shares Expense	195.138	173.265	162.978	4.700	536.081
Profit Shares Expense on Participation Funds	195.138	173.265	2.214	-	370.617
Profit Shares Expense on Funds Borrowed	-	-	151.899	-	151.899
Profit Shares Expense on Money Market Transactions	-	-	4.261	-	4.261
Profit Shares Expense on Securities Issued	-	-	4.604	-	4.604
Other Profit Shares Expense	-	-	-	4.700	4.700
Net Profit Shares Income/Expense	(145.279)	420.608	(107.758)	88.661	256.232
Net Fees and Commission Income/Expense	2.278	26.304	-	(4.831)	23.751
Fees and Commissions Received	2.278	26.304	-	2.543	31.125
Fees and Commissions Paid	-	-	-	7.374	7.374
Dividend Income	-	-	2.762	-	2.762
Trading Income/Loss (Net)	-	-	13.489	-	13.489
Other Operating Income	-	69	-	98.222	98.291
Provision for Loans or Other Receivables Losses	10.022	111.634	-	26.802	148.458
Other Provision expense	-	-	-	7.316	7.316
Personnel Expenses	-	-	-	44.686	44.686
Other Operating Expense	-	-	-	59.829	59.829
Income Before Tax	(153.023)	335.347	(91.507)	43.419	134.236
Tax Provision	-	-	-	(29.975)	(29.975)
Net Profit/Loss	(153.023)	335.347	(91.507)	13.444	104.261
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 31 March 2019

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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		Prior Period	
	TL	FC	TL	FC
Cash / Foreign Currency	33.789	53.028	28.617	50.616
Central Bank of the Republic of Turkey	34.351	1.894.214	71.522	2.404.187
Other	-	271.111	-	339.497
Total	68.140	2.218.353	100.139	2.794.300

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. According to the principles of the communiqué dated 9 December 2019 and numbered 2019/19, the CBRT pays dividends to Turkish Lira required reserves.

As of 31 March 2020, the valid rates for required reserves established in the CBRT are between 1% and 7% according to the maturity structure in Turkish currency (31 December 2019: between 1% and 7%); in foreign currency, it is between 5% and 21% depending on the maturity structure (31 December 2019: between 5% and 21%). For banks that provide real loan growth rates, the required reserve ratios in Turkish currency range from 1% to 2%; in foreign currency is between 0% and 16%. For banks that provide real loan growth rates, the required reserve ratios in Turkish currency range from 1% to 2%; in foreign currency, it ranges from 0% to 16%.

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Unrestricted Demand Deposit	30.351	7	38	6
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (1)	4.000	1.894.207	71.484	2.404.181
Total	34.351	1.894.214	71.522	2.404.187

(1) TL 41.591 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		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	2.459	1.146.021	5.205	332.276
Foreign Banks	-	893.115	-	578.937
Foreign Head Office and Branches	-	-	-	-
Total	2.459	2.039.136	5.205	911.213

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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	Prior Period
Assets Subject to Repurchase Agreements	25.272	16.497
Assets Blocked/Given as Collateral	84.768	84.643
Total (*)	110.040	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	Prior Period
Debt Securities	2.935.107	2.380.681
Quoted in Stock Exchange	2.060.752	2.078.312
Not Quoted in Stock Exchange	874.355	302.369
Share Certificates	10.427	7.672
Quoted in Stock Exchange		-
Not Quoted in Stock Exchange (*)	10.427	7.672
Provision for Impairment (-)	3.690	1.416
Total	2.941.844	2.386.937

(*) The said amounts are includes the amounts of TL 2.755 , TL 7.659 to KGF(Credit Guarantee Fund) and TL 13 to other stocks has been paid share amount of %2.86 by The Bank to JCR Avrasya Derecelendirme A.Ş. shown in the non - trading section.

4. Expected Loss Provisions

As of 31 March 2020, TL 472 (31 December 2019: TL 174) for nostro and TL 35 for the required reserves (first stage) has been calculated.

5. Information on derivative financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	1.591	27.211	27	17.469
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	-	-
Total	1.591	27.211	27	17.469

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	480.117	-	3.097.903	-
Corporate Shareholders	480.117	-	3.097.903	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	3.244	-	2.372	-
Total (*)	483.361	-	3.100.275	-

(*) Includes rediscount amounts.

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

	Standard Loans and Other Receivables	Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
Cash Loans			Loans with revised contract terms	Refinancing
Loans				
Export Loans	2.583.928	1.533	-	-
Import Loans	106.073	-	-	-
Commercial Loans	15.969.054	233.260	825.215	-
Consumer Loans	2.392.482	5.813	-	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	2.685.562	-	-	-
Other	1.395.953	89.886	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	462.221	39.745	70.265	-
Total	25.595.273	370.237	895.480	-

	Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses	71.795	-
Significant Increase in Credit Risk	-	50.562

No. of extensions	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
1 or 2 Times Extended	-	825.215
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	-	825.215

Extension Periods	Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
0 - 6 Months	-	34.237
6 Months – 12 Months	-	4.592
1 - 2 Years	-	360.170
2 - 5 Years	-	332.748
5 Years and Over	-	93.468
Total	-	825.215

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

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	3.153	2.391.898	2.395.051
Housing Loans	438	2.237.135	2.237.573
Vehicle Loans	1.892	97.928	99.820
Consumer Loans	823	56.835	57.658
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	130	3.114	3.244
Housing Loans	-	-	-
Vehicle Loans	-	118	118
Consumer Loans	130	2.996	3.126
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	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total (*)	3.283	2.395.012	2.398.295

(*) Dividend rediscount amounting to TL 12.440 is not included in the table.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)

Prior Period	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

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	33.277	312.779	346.056
Business Loans	761	18.356	19.117
Vehicle Loans	32.516	294.423	326.939
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	7.592	7.592
Business Loans	-	-	-
Vehicle Loans	-	7.592	7.592
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	26.907	26.907
With Installment	-	-	-
Without Installment	-	26.907	26.907
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	33.277	347.278	380.555

Prior Period	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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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	Prior Period
Domestic Loans	26.148.251	23.677.914
Foreign Loans	140.508	1.031.681
Profit Share Income Accruals of Loans	572.231	523.787
Total^(*)	26.860.990	25.233.382

(*) Non-performing loans are not included.

f) Loans Granted to subsidiaries and participations

As of 31 March 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	Prior Period
Loans and receivables with limited collectability	118.345	136.955
Loans and receivables with doubtful collectability	125.008	77.186
Uncollectible loans and receivables	386.134	253.632
Total	629.487	467.773

h) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	400.919	387.621	71.065	70.080
1-5 year	3.371.452	2.860.950	3.611.355	3.088.196
More than 5 years	859.386	619.725	860.343	498.090
Total	4.631.757	3.868.296	4.542.763	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 31 March 2020 the Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled, is TL 29.677 (31 December 2019 : 29.542).

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 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 (+)	139.742	12.249	86.149
Transfers from other categories of non-performing loans (+)	-	148.366	123.970
Transfers to other categories of non- performing loans (-)	148.366	123.970	-
Collections in the current period (-)	4.390	3.683	16.175
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	142.541	228.494	518.139
Expected Loss Provision (Stage 3)	118.345	125.008	386.134
Net balance on balance sheet	24.196	103.486	132.005

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

As of 31 March 2020, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2019: None).

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)	52.756	116.278	90.653
Loans to Real Persons and Legal Entities (Gross)	171.101	241.286	476.787
Specific Provisions (-)	118.345	125.008	386.134
Loans to Real Persons and Legal Entities (Net)	52.756	116.278	90.653
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)	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)

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
Period End Balance			
Profit Share Accrual and Valuation Differences Provision	17.370	12.111	74.133
Provision Amount (-)	7.666	6.716	55.663

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

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

k) Explanations on write-off policy:

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

7. Financial assets at amortized cost:

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

	Current Period	Prior Period
Debt Securities	600.491	547.750
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	600.491	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 31 March 2020, government debt securities measured at amortized cost of the Bank is TL 600.491 (31 December 2019: TL 547.750).

	Current Period	Prior Period
Balances at Beginning of Period	547.750	-
Foreign Currency Differences on Monetary Assets	52.741	7.757
Purchases during the Period ^(*)	-	539.993
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	600.491	547.750

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)

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

As of 31 March 2020, the amount of assets due to trading is TL 100.941 (31 December 2019: TL 104.069).

	Current Period	Prior Period
Beginning Balance (Net)	104.069	4.259
Changes During the Period (Net)	(3.128)	99.810
Amount of depreciation	-	-
Provision for Impairment	-	-
Financial lease merger effect	-	-
Period End Balance (Net)	100.941	104.069

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

9. Equity Investments

a) Information about investments in associates (Net):

As of 31 March 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 shareholder s Equity
1 ^(*)	2.743.555	66	-	67.850	-	(5)	14	-	-
2 ^(*)	108	94	-	739	-	31	4	-	-

(*) Current period information of associates has been provided from unreviewed financial statements as of 31 March 2020. Prior period profit/loss information of associates has been provided from reviewed financial statements as of 31 March 2019.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)

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

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

As of 31 March 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)	-	3.549	(1.745)	1.268	(335)	-	2.737
Cost	-	8.711	725	1.342	1.762	-	12.540
Amortization (Net) (-)	-	5.162	2.470	74	2.097	-	9.803
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	122.314	71.864	15.414	44.262	-	253.854
Accumulated Depreciation at Period End (-)	-	25.538	39.409	4.210	24.362	-	93.519
Provision for Impairment (-)	-	-	-	-	-	-	-
Closing Net Book Value	-	96.776	32.455	11.204	19.900	-	160.335

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 31 MARCH 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			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	147.804	26.075	121.729	143.633	22.992	120.641
Total	147.804	26.075	121.729	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 31 March 2020, the Bank has no investment properties (31 December 2019: None).

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

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

14. Information on deferred tax asset:

As at 31 March 2020, deferred tax liabilities of TL 38.866 (31 December 2019: TL 33.127) and deferred tax assets of TL 89.624 (31 December 2019: TL 75.280) have been offset and TL 50.758 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 31 March 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 31 MARCH 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	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	552.249	-	-	-	-	-	-	-	552.249
II. Real persons profit sharing accounts non-trade TL	-	638.424	4.882.051	91.104	-	70.823	338.609	-	6.021.011
III. Other current accounts-TL	1.230.140	-	-	-	-	-	-	-	1.230.140
Public sector	138.728	-	-	-	-	-	-	-	138.728
Commercial sector	1.065.749	-	-	-	-	-	-	-	1.065.749
Other institutions	23.517	-	-	-	-	-	-	-	23.517
Commercial and other institutions	3	-	-	-	-	-	-	-	3
Banks and participation banks	-	-	-	-	-	-	-	-	-
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	3	-	-	-	-	-	-	-	3
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	615.585	3.824.055	431.455	-	464.674	70.851	-	5.406.620
Public sector	-	124.833	207.470	72.955	-	282.510	53.327	-	741.095
Commercial sector	-	400.959	3.224.434	81.079	-	178.920	10.455	-	3.895.847
Other institutions	-	89.793	392.151	277.421	-	3.244	7.069	-	769.678
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts non-trade FC	921.375	-	-	-	-	-	-	-	921.375
VI. Real persons profit sharing accounts-FC	-	354.665	4.094.260	89.983	-	119.907	1.013.518	-	5.672.333
VII. Other current accounts-FC	1.933.456	-	-	-	-	-	-	-	1.933.456
Commercial residents in Turkey	1.860.046	-	-	-	-	-	-	-	1.860.046
Commercial residents in Abroad	73.282	-	-	-	-	-	-	-	73.282
Banks and participation banks	128	-	-	-	-	-	-	-	128
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	128	-	-	-	-	-	-	-	128
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts-FC	-	274.028	2.568.771	355.672	-	292.252	1.874.039	-	5.364.762
Public sector	-	840	880	-	-	-	-	-	1.720
Commercial sector	-	272.923	2.374.918	355.620	-	292.252	1.874.039	-	5.169.752
Other institutions	-	265	174.965	52	-	-	-	-	175.282
Commercial and other institutions	-	-	18.008	-	-	-	-	-	18.008
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	458.428	-	683.300	91.816	-	8.877	32.361	-	1.274.782
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	5.095.648	1.882.702	16.052.437	1.060.030	-	956.533	3.329.378	-	28.376.728

ZİRAAT KATILIM BANKASI A.Ş.**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 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	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 31 MARCH 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	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	5.588.527	5.251.128	8.716.063	7.383.152
TL accounts	3.613.565	3.496.444	2.959.685	2.657.587
FC accounts	1.974.962	1.754.684	5.756.378	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	Prior Period
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	858	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		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	3.105.061	1.395.929	2.857.534	1.498.426
From Foreign Banks, Institutions and Funds	-	1.755.925	-	1.622.710
Total	3.105.061	3.151.854	2.857.534	3.121.136

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	2.779.488	111.041	2.516.784	179.422
Medium and Long-term	325.573	3.040.813	340.750	2.941.714
Total	3.105.061	3.151.854	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:

71% of liabilities consists of current and share profit account.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	24.797	-	19.135	-
Financial Institutions	24.797	-	19.135	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	24.797	-	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		Prior Period	
	TL	FC	TL	FC
Forward transactions	434	60	19	12.460
Swap transactions	-	-	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	434	60	19	12.460

7. Information on financial lease obligations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	5.708	5.130	4.342	3.953
Between 1-5 years	63.446	45.546	64.193	46.451
More than 5 years	130.303	66.130	123.525	59.655
Total	199.457	116.806	192.060	110.059

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 21.140 (31 December 2019: TL 18.452).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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)

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 80.000 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 March 31, 2020, TL 129.312 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 21.140 (31 December 2019 :TL 18.452) for non-cash loans that are not indemnified, amounting to TL 24.753 (31 December 2019 :TL 19.923) for the expected credit loss for (Stage 1 and 2) non-cash loans and amounting to TL 18.590 (31 December 2019 :TL 17.140) for other provisions.

c.3) Information on litigations provisions

A provision of TL 18.478 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 31 March 2020, the amount payable consists of one month's salary limited to a maximum of TL 6.730 (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".

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

	Current Period	Prior Period
Discount Rate (%)	12,10%	12,10%
Inflation	8,20%	8,20%

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

	Current Period	Prior Period
Balance at the 1 January	8.662	5.736
Changes during the period	1.052	2.268
Paid during the period	-	801
Severance Pay	-	(316)
Loss/(gain) obtained from layoff	-	216
Actuarial loss/(gain)	-	(43)
Ziraat Lease Merger Effect	-	-
Balance at the end of the period	9.714	8.662

As of 31 March 2020, the Bank has a TL 7.150 short-run employees' rights provision (31 December 2019: TL 6.050).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial rate 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 March 2020, no technical deficit has been reported.

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

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

The Bank has allocated a provision amounting to TL 28.125 based on the bonus to be paid in a current period.

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 31 March 2020, the Bank's corporate income tax liability is TL 31.696 (31 December 2019: TL 85.445).

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	31.696	85.445
Taxation on Income From Securities	15.236	18.470
Property Tax	438	286
Banking Insurance Transactions Tax (BITT)	11.284	11.395
Foreign Exchange Transactions Tax	768	392
Value Added Tax Payable	9.027	3.708
Other	1.697	2.418
Total	70.146	122.114

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	16	8
Social Security Premiums - Employer	11	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	100	87
Unemployment Insurance - Employer	199	173
Other	-	-
Total	326	279

10) Information on deferred tax liabilities, if any:

The Bank's deferred tax liability amounts to TL 38.886 (31 December 2019: TL 33.127) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 50.758 (31 December 2019: TL 42.153) is presented in the financial statements.

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		Prior period	
	TL	FC	TL	FC
From Domestic Banks	300.260	-	312.351	-
Domestic Other Organizations	-	589.730	-	537.338
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
Total	300.260	589.730	312.351	537.338

	Current period		Prior period	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:				
Subordinated Loans	-	589.730	-	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	589.730	312.351	537.338

(*) 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.

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.

ZİRAAT KATILIM BANKASI A.Ş.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)

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

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

14. Information on shareholders' equity:

a) Presentation on paid-in capital:

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

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

None.

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

None

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

None.

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

There is no capital 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 31 March 2020, the Bank has no preferred shares (31 December 2019: None).

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AS OF 31 MARCH 2020**

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****h) Information on marketable securities value increase fund:**

	Current Period		Prior Period	
	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	25.907	58	56.429	642
Revaluation Difference	33.135	58	72.454	642
Deferred Tax Effect	(7.228)	-	(16.025)	-
Foreign Exchange Difference	-	-	-	-
Total	25.907	58	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	Prior Period
Commitments for Credit Card Expenditure Limits	545.133	108.744
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	191.298	157.323
Loan Granting Commitments	12.485	11.509
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	451.187	122.657
Total	1.200.103	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 21.140 (31 December 2019: TL 18.452).

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

	Current Period	Prior Period
Guarantee Letters	9.816.675	9.381.555
Letter of Credits	10.175	18.753
Bank Acceptances	1.315.185	983.145
Other Contingencies	1.448.757	944.684
Total	12.590.792	11.328.137

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

	Current Period	Prior Period
Letters of Temporary Guarantees	718.475	764.821
Letters of Certain Guarantees	4.975.300	4.596.487
Letters of Advance Guarantees	622.388	621.598
Letters of Guarantees given to Customs Offices	77.465	77.809
Other Letters of Guarantees	3.423.047	3.320.840
Total	9.816.675	9.381.555

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****III. EXPLANATIONS AND NOTES RELATED TO THE OFF-BALANCE SHEET ACCOUNTS
(Continued)****b.3) Total non-cash loans:**

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	3.423.131	3.320.852
With Original Maturity of One Year or Less	12.762	83.917
With Original Maturity of More than One Year	3.410.369	3.236.935
Other Non-Cash Loans	9.167.661	8.007.285
Total	12.590.792	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		Prior Period	
	TL	FC	TL	FC
Profit share on loans (*)	594.735	119.186	568.963	74.769
Short term loans	215.021	32.131	259.133	25.314
Medium and long term loans	366.466	87.055	302.053	49.455
Profit share on non-performing loans	13.248	-	7.777	-
Premiums received from resource utilization support fund	-	-	-	-

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

b) Information on profit share income from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	-	-	243	45
Foreign Banks	-	-	-	-
Head Office and Branches	-	-	-	-
Total	-	-	243	45

c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	TL	FC	FC
Financial Assets at Fair Value through Profit and Loss	2.460	8.115	-	-
Financial Assets at Fair Value through Other Comprehensive Income	71.630	3.994	39.977	1.475
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-	-	-
Total	74.090	12.109	39.977	1.475

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

None (31 March 2019: None).

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AS OF 31 MARCH 2020**

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE STATEMENT OF PROFIT OR LOSS
(Continued)****2. a) Information on profit share expense on borrowing:**

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	14.609	24.705	28.809	21.239
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	1.051	19.571	18.643	16.775
Foreign Banks	13.558	5.134	10.166	4.464
Head Office and Branches	-	-	-	-
Other Institutions	80.049	8.747	91.772	10.079
Total	94.658	33.452	120.581	31.318

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

The amount of profit share expense given to associates and subsidiaries is TL 68.589 (31 March 2019: TL 12.761).

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

None (31 March 2019 TL 4.604).

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

Current Period	Participation Accounts					
	1 month	3 months	6 months	Up to 1 year	Over 1 year	Total
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	13.765	106.933	1.910	1.648	6.885	131.141
Public Sector Participation Accounts	2.807	4.275	1.143	6.263	1.951	16.439
Commercial Sector Participation Accounts	10.972	71.231	4.091	5.113	423	91.830
Other Institutions Participation Accounts	883	7.380	6.205	6	52	14.526
Total	28.427	189.819	13.349	13.030	9.311	253.936
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	1.053	12.447	215	303	8.008	22.026
Public Sector Participation Accounts	3	4	-	-	-	7
Commercial Sector Participation Accounts	641	4.086	424	1.005	5.890	12.046
Other Institutions Participation Accounts	-	212	-	-	-	212
Public Sector Participation Accounts	545	-	-	-	-	545
Total	2.242	16.749	639	1.308	13.898	34.836
Grand Total	30.669	206.568	13.988	14.338	23.209	288.772

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

Prior Period	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	2.127	-	-	-	2.214
Real Person's Non Commercial Participation Accounts	16.363	124.105	1.544	1.796	10.365	154.173
Public Sector Participation Accounts	2.215	9.020	5.748	3.104	5.680	25.767
Commercial Sector Participation Accounts	8.329	82.233	5.853	4.925	569	101.909
Other Institutions Participation Accounts	392	22.101	19.798	1.369	278	43.938
Total	27.386	239.586	32.943	11.194	16.892	328.001
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	64	-	-	-	64
Real Person's Non Commercial Participation Accounts	2.303	16.070	639	337	2.732	22.081
Public Sector Participation Accounts	4	112	-	-	-	116
Commercial Sector Participation Accounts	654	14.442	852	441	1.164	17.553
Other Institutions Participation Accounts	-	1.151	-	-	-	1.151
Public Sector Participation Accounts	1.651	-	-	-	-	1.651
Total	4.612	31.839	1.491	778	3.896	42.616
Grand Total	31.998	271.425	34.434	11.972	20.788	370.617

3. Information on dividend income:

None (31 March 2019: TL 2.762).

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

	Current Period	Prior Period
Income	2.370.941	2.128.217
Foreign exchange gains	2.296.007	2.098.164
Gain on derivative financial instruments	35.197	29.921
Gain on capital market transactions	39.737	132
Losses (-)	2.341.715	2.114.728
Foreign exchange losses	2.330.707	2.112.854
Losses on derivative financial instruments	10.339	1.863
Losses on capital market transactions	669	11
Net	29.226	13.489

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	24.858	(28.058)
Total	24.858	(28.058)

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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 31 March 2020, there are no factors affecting the Bank's revenues significantly (31 March 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	Prior Period
Expected Credit Loss	311.748	148.458
12 month expected credit loss (stage 1)	43.052	16.884
Significant increase in credit risk (stage 2)	34.996	12.296
Non-performing loans (stage 3)	233.700	119.278
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	16.016	7.316
Total	327.764	155.774

7. Information on other operating expenses:

	Current Period	Prior Period
Reserve for Employee Termination Benefits	1.052	767
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	11.832	11.168
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	3.083	2.570
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	25.232	20.983
Operational Leasing Expenses	15	149
Maintenance Expenses	4.167	1.529
Advertisement Expenses	8.643	8.606
Other Expenses	12.407	10.699
Loss on Sales of Assets	203	7.791
Other (*)	26.306	16.550
Total	67.708	59.829

(*) The balance which forms the other item part, TL 11.539 (31 March 2019: TL 5.994), Saving Deposit Insurance Fund ("SDIF") premium and audit and consultancy service expenses, while TL 11.774 (31 March 2019: TL 7.066) consists of taxes, fees and funds and other service expenses.

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

As of 31 March 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	Prior Period
Net Profit Share Income	477.801	256.232
Net Fees and Commissions Income	16.936	23.751
Dividend Income	-	2.762
Trading Income/Expense (Net)	29.226	13.489
Other Operating Income	71.524	98.291
Expected Loss Provision (-)	311.748	148.458
Other Provision Expense (-)	16.016	7.316
Personnel Expense	53.976	44.686
Other Operating Expenses (-)	67.708	59.829
Income/(Loss) from Continuing Operations	146.039	134.236

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

As of 31 March 2020, the Bank's total tax provision expense amounting to TL 32.472 (31 March 2019: TL 29.975) consists of TL 32.380 (31 March 2019: TL 26.161) of current tax expense and TL 192 (31 March 2019: TL 3.814) 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 113.567 (31 March 2019: TL 104.261 Net Profit).

11. Information on net profit/loss:

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

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

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

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

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

None (31 March 2019: None).

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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	-	-	480.117	-	-	-
Profit share and commission income	-	-	1.868	-	-	-

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	-	-	5.739	-	-	-

- b) Current and profit sharing account held by the Bank's risk group:

Risk group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	42.411	8.159	-	-
Balance at the end of period	-	-	76.184	42.411	-	-
Participation Accounts						
Profit Share Expenses	-	-	634	1.265	-	-

- 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	-	-	-	-	-	-

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EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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	-	-	1.758.655	2.383.936	-	-
Total Profit/Loss	-	-	27.121	13.231	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management:

The Bank has paid TL 1.246 (31 December 2019: TL 4.689) to top management.

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

To minimize the negative impact of the Covid-19 pandemic on the Turkish economy and incentivize (especially private) banks to extend more loans and use their resources more efficiently, the Banking Regulation and Supervision Authority has decided to implement a new mechanism on the basis of an "active ratio" equation, as announced in the Decision no. 9000, dated 18 April 2020.

According to Decision of the BRSA: the monthly average of a bank's Active Ratio shall not fall below 100% for deposit banks and 80% for participation banks; and banks not able to meet the above thresholds shall be imposed administrative fines pursuant to item (a) of the first paragraph of Article 148 of the Banking Law, calculated by taking into account the gap between their actual Active Ratio and the above requirement. According to said article, the BRSA is entitled to impose an administrative fine of at least TRY 500,000 which may reach up to 5% of the amount constituting the violation.

VII. EXPLANATIONS AND NOTES RELATED TO DOMESTIC, FOREIGN, OFF-SHORE BRANCHES OR AFFILIATES AND FOREIGN REPRESENTATIVES OF THE BANK

1) Domestic and foreign branches and representative offices of the Bank:

	Number	Number of Employees		
Domestic branches (*)	96	1.171		
			Country	
Foreign representative offices	-	-		
				Total Assets
Foreign branches	-	-	-	Legal Equity
Off shore banking branches	-	-	-	-

(*) The number of head office staff has been included in the number of domestic branch employees.

2) Explanations on the opening and closing of branches or representative office of the Bank in Turkey and abroad, and the significant change in its organization:

In 2020, 3 new branches (31 December 2019: 13 Branches) have been opened in Turkey.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 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 31 March 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 13 May 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 31 MARCH 2020**

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

SECTION SEVEN

INTERIM ACTIVITY REPORT

I. Assessment of Chairman

The COVID-19 virus (coronavirus) outbreak has negatively affected the global economy in the first quarter of the year. Governments and central banks have started to act in a coordinated manner to reduce the economic effects of the outbreak. Expanding steps were taken in monetary and fiscal policies in the USA after the outbreak while the virus started to show its negative effects. The Federal Reserve (FED) achieved a high increase in its balance sheet while lowering its policy rate.

To reduce the impact of the epidemic on the country's economy, a package including tax cuts and public expenditures has been adopted. Despite this, while the number of unemployed in the USA has exceeded 20 million, recession signals have started to be received in the economy. In the European continent, which is one of the places where the epidemic is most effective, countries have also announced serious incentive packages. While the European Central Bank (ECB) did not change interest rates, it announced that it would remove the limits for bond purchases under the emergency incentive program, but the European Union Finance Ministers could not agree on a common strategy.

In Italy and Spain, one of the countries most affected by coronavirus, concerns have started to increase directly proportional to the cases. However, as a result of the decrease in the use of vehicles, the production of the factories and the people staying at home, a serious decline was observed in the demand for oil and a sharp decline in oil prices. The monetary expansion packages announced by the countries increased the demand for precious metals, especially gold, and the ounce price of gold rose above the level of USD 1.700. Negative prices were seen in the futures contracts of oil as the demand was negatively affected.

As a result of global airline transportation coming to a halt and disruptions in the supply chain, a difference of nearly 40 USD per ounce occurred between physical gold and gold to be calculated. The impact of the epidemic seen in March after the first COVID-19 cases in Turkey is felt in the service sector and manufacturing industry.

In order to prevent the negative effects of the epidemic, measures have been taken by the Government and high levels of support packages have been announced by the economic management. The CBRT followed an expansionary policy in monetary policy and announced that it would increase its bond purchases in order to overcome the possible liquidity shortage in the market. KGF- and public banks were provided with high maturity and interest rates and high amount of financing support for the real sector and individuals.

It has been helpful to reduce financing in case of the loans. Ziraat Katılım Bankası has determined as a strategic priority to use the resources it provides from the country and abroad in the most efficient way to the country's economy, and to contribute to increasing the share of participation banking in the financial sector of our country. While the asset size of the participation banking sector increased by 12% in the first quarter of this year, the asset size of the banking sector increased by 8.5% in the same period, and the share of participation banking in the sector increased from 6.3% last year to 6.5% in the first quarter of this year.

Agriculture Contributions to continue in the first quarter of the year, the Bank's branch network reached 96 branches. Necessary protective measures have been taken in the head office units and branches in order to create a healthy environment so that our customers and employees are not affected by the virus and thus provide effective service. As in previous periods, Ziraat Katılım Bankası continued its activities with devotion to contribute to participation banking, increase its support to our economy and create more added value in this period where the effect of the epidemic was felt intensely. It will continue its efforts to contribute more to our economy in the coming periods

Hüseyin AYDIN
Chairman of the Board

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager

In terms of global markets, the first quarter of 2020 was a period in which the COVID-19 (coronavirus) outbreak was fought in all areas. There have been many disruptions in many fields from production to trade, from logistics to tourism, especially the health system worldwide. Governments and central banks have started to act in a coordinated manner to reduce the effects of COVID-19 outbreak on the global ecosystem.

The Federal Reserve of the USA reduced interest rates to the range of 0-25% in March and increased its balance sheet by USD 1.8 trillion and reached USD 6 trillion . In the European Union countries where the epidemic is deeply felt, comprehensive incentive packages have been announced in order to maintain economic activity. While the ECB did not change its interest rates, it removed the bond purchase limits. In order to prevent the spread of the epidemic, all countries have implemented their preventive measures.

While the factories stopped their production, the use of vehicles decreased with the people staying at home and the demand for oil consumption decreased due to the slowdown in the logistics sector. Besides, oil prices have tested USD 20 levels due to the dispute of OPEC + countries. The first cases in Turkey COVID-19 was seen in March. A national struggle has been launched across the country with the measures implemented by the government quickly.

City hospitals, investment in the health sector, experienced health care workers and young population structure of Turkey in combating secretion was observed to positively decompose. The CBRT cut the interest rates by 100 basis points to 9.75% in March. It has also announced to the public that it will increase its bond purchases in order to provide liquidity support to the market. Our economy management, on the other hand, announced a TL 100 billion support package and additional financial aid packages to unemployed or unpaid employees.

As of the first quarter of 2020, while the banking sector increased its asset size by 8.5%, the growth of Participation Banking was 12%. The 6.3% market share of participation banks increased to 6.5% at the end of the first quarter of 2020.

Ziraat Katılım Bankası A.Ş. Continues Its Stable Growth

Ziraat Katılım Bankası A.Ş.'s total assets reached 39.8 billion TL in the first quarter of 2020, with an increase of 9% compared to the end of 2019, and the funds collected increased by 11% compared to the same period, to 28.4 billion TL. Cash funds extended by 19% increased to TL 28.9 billion, while the total cash and non-cash financing provided by Ziraat Participation to the entire sector amounted to TL 44.2 billion.

Ziraat Katılım Bankası A.Ş. completed the first quarter of 2020 with a profit of TL 113.6 million as a result of its successful understanding of its service concept that prioritizes customer satisfaction and its efficiency-oriented business cycle. Turkey Accession Agriculture which expand rapidly branch network, in domestic end Q1 2020 44 provinces reached 96 branches.

Our Lease Certificate Issuances Reached 15.1 Billion TL in Total

Ziraat Katılım Bankası A.Ş. successfully completed 4 lease certificate issuances as of the first quarter of 2020. Ziraat Yatırım Menkul Değerler A.Ş. While 2.1 billion TL of funding has been obtained from these issuances, the demand has been received from qualified investors above all of the lease certificate issuances.

Turkey's state-owned Ziraat Katılım Bankası A.Ş. is the first participation bank, which started its activities so far carried out from 2015 to qualified investors 54 Sukuk issuance volume reached 15.1 billion TL in total with. Ziraat Participation has also yielded results for the lease certificate issuances in favor of customers or third parties (where individuals or institutions other than our bank will be located as fund users / resource organizations). In January 2020, the first customer lease certificate issuance of 42 million TL was successfully completed.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

Full Support to the Economic Stability Shield Package

As Ziraat Katılım Bankası A.Ş., within the scope of the measures taken with the aim of minimizing the possible damage to the economic life of the COVID-19 epidemic, which is experienced worldwide and also affects our country; - We believe that sustaining our production infrastructure and labor market is the common goal of all stakeholders of the economy.

In line with this goal, our Bank branches continued to serve our customers between 09:00 and 17:00.

With this approach, in line with the "Economic Stability Shield" move, the following supports have been put into practice against the deterioration that our citizens and our business world may experience in this period of cash flows;

- Receiving commercial and individual customers' installment deferral requests,
- Current financing of our customers, whose cash flow is disrupted or foreseen, and which may experience payment problems;

In the sectors with periodic activity, up to 6 months without payment period, by providing additional time up to 12 months, commissioning appropriate term configuration practices, provided that the companies that pay their staff salaries in February 2020 maintain their employment;

Providing additional limit opportunities as much as 3-month staff salary expense, if necessary, measures to meet the working capital and the additional limit requirements for the Direct Debit System, which may arise due to the current conditions of our customers with a financing limit, and measures have been implemented.

We have implemented the Business Continuation Financing Support Package

A protocol has been signed between KGF and our Bank in order to finance the basic needs of our Bank's corporate customers, which are directly or indirectly affected by the epidemic, within the scope of the Economic Stability Shield measures. Within the framework of the Treasury Supported Surety System, a "Work Attendance Financing Support Package" was created, which provides KGF secured financing. As of the end of February 2020, real / legal person firms that protect or decrease the number of registered employees and who are directly or indirectly affected by the epidemic will be able to benefit. Financing has been offered with a maximum term of 36 Months, with a maximum period of 6 months, Principal and Non-Profit Paying Period.

We have created a Support Payment Package with Check Payment

In order to contribute to the continuation of the commercial activities of the checker entrepreneur, who are directly or indirectly affected by the epidemic within the scope of the Economic Stability Shield measures, to enable them to continue their commercial activities, and to pay the check fees they are obliged to pay using an appropriate funding source. A protocol has been signed between our bank. With the protocol, a "Check Payment Support Package" with KGF guarantee was created within the framework of the Treasury Supported Surety System. Real / legal entity businesses that are directly or indirectly affected by the epidemic (except individual customers) can benefit. Financing has been offered with a maximum term of 12 Months, with a maximum period of 3 months of Principal and Non-Profit Paying Period.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 MARCH 2020**

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

We Provided Needs Support Financing to Individual Customers Within the scope of Economic Stability Shield;

In order to finance the basic needs of our individual customers who are directly or indirectly affected by the epidemic such as health, rent, invoice (electricity, water, natural gas) under appropriate conditions, "Basic Needs Support Financing" with KGF guarantee has been prepared. Our Individual Customers; You can apply to our Basic Needs Support Finance product on our corporate website, with a monthly installment of up to TL 10.000 , with a 6-month grace period and up to 36 months.

We Provided Support to the Earthquake Victim in Elazig and Malatya

In order to eliminate the grievances of our customers affected by the earthquake disaster that occurred on 24 January 2020 in the provinces of Elazig and Malatya;

- The loss of all financing liabilities of our Bank's customers, who lost their first degree relatives, the residence or residence of the business where it has been destroyed, the delayed commercial / personal financing of our customers, which have been damaged, has been delayed for 6 months to a year without profit, Individual and commercial financing installments of our customers in the provinces and districts of which are subject to the opportunity have been postponed for three months without profit. Elazig and Malatya Emergency Support Loan Protocol. We signed "Elazığ and Malatya Emergency Support Loan Protocol" between KOSGEB and our Bank in order to provide financial support to businesses affected by the earthquake disaster that occurred on 24 January 2020 in Elazig and Malatya provinces. Within the scope of the protocol, a total of 36 (thirty six) months of non-profit financing opportunities are offered to businesses up to a maximum of TL 100.000 , the first 12 (twelve) months without payment and the rest in three monthly equal installments.

We Support the locals engaged in manufacturing Agricultural Production Participation in Turkey

In order to support the domestic production of our cooperation with the 2019 year-end automotive brands reputation by continuing with the first quarter; The Vehicle Financing Package Special Product for Domestic Production was offered to our customers who will purchase zero km domestic production passenger cars and commercial vehicles.

New Estate Financing Package

In the housing financing prepared within the scope of the financing of new houses, the condition of "the first sale subject to the sale by the Housing Manufacturer (Contractor and / or Land Owner)" will be sought in determining the house. In addition, within the scope of the protocol signed between the Institution and our Bank in February to provide financing for public housing sold by the National Real Estate Directorate, the Public Housing Housing Financing product was prepared and offered to our Customers who have the right to purchase Public Housing in all provinces.

We Applied Open Source Operating System to 23 Branches

Within the scope of the "Nationalization in Technology" strategy, our bank continued to migrate to the open source operating system on its client computer and completed its pilot branch studies and expanded it to 23 branches. We Implemented a Remote Work Program in the Outbreak Process In order to reduce the risks and ensure our business continuity.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

INTERIM ACTIVITY REPORT (Continued)

II. Assessment of General Manager (Continued)

We Implemented a Remote Work Program in the Outbreak Process

In order to reduce the risks and ensure our business continuity, we implemented the remote work model due to the COVID-19 outbreak. In order for all bank personnel to work remotely, central infrastructures were strengthened and necessary software and hardware equipment was installed and delivered to the end user.

Great Convenience for Our Customers on our Website

In order to prevent our customers from being victimized within the scope of COVID-19 epidemic, the following new functions have been put into service on our channels. The Installment Delay function has been added to the Internet Branch to prevent our customers from suffering due to their financial debts. Individual Basic Need Support Financing Applications: As a preliminary application, it started to be collected from our corporate website (www.ziraatkatilim.com.tr). After the evaluations, the Internet Branch - Application Completion step has been taken live for the customers who will be able to use financing and make them available.

The Joint ATM Project (TAM ATM), which is carried out by the Public Banks, continues rapidly. In this context, the first pilot ATM was installed at our Bank and offered for use. Due to the COVID-19 outbreak, our customers' daily withdrawal limits from ATMs have been updated as TL 5.000 in order to meet their needs through channels outside the branch.

Donation Transactions with QR Code

It is provided to donate with QR code through our Participation Mobile application. In line with the demands and suggestions of our customers; Our Internet Branch and Participation Mobile application allows them to enter passwords more easily by allowing them to set passwords consisting only of numbers in order to increase their passwords, customer satisfaction and customer experience.

An Advisory Committee Has Been Established

In order to operate in accordance with the principles and standards of interest-free banking of Ziraat Katılım Bankası A.Ş, a Consultative Committee consisting of 3 members was established in accordance with the BRSA's notification on Compliance with the Islamic Banking Principles and Standards dated 14.09.2019 and the committee started its duty in January 2020. Organization changes and assignments have been made for the effective performance of the advisory committee activities. In this context, we plan to create a more effective and efficient service network for our customers. It is aimed to establish an effective communication network between our customers and our Advisory Committee and to provide more comprehensive information about the operation of our products and services within the scope of interest-free banking principles and standards.

Metin ÖZDEMİR
General Manager

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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

INTERIM ACTIVITY REPORT (Continued)

III. SHAREHOLDING STRUCTURE

The paid in capital of Ziraat Katılım Bankası A.Ş. is TL 1.750.000.000 and this capital is divided into 1.750.000.000 shares, each of which is worth 1,00 Turkish Liras. The Chairman and Members of the Board of Directors, the Members of the Audit Board, and the General Manager and his Deputies do not own shares in the Bank.

Title	Share Amounts	Number of Shares
T.C. Ziraat Bankası A.Ş.	1.749.999.996	1.749.999.996
Ziraat Sigorta A.Ş.	1	1
Ziraat Hayat ve Emeklilik A.Ş.	1	1
Ziraat Teknoloji A.Ş.	1	1
Ziraat Yatırım Menkul Değerler A.Ş.	1	1

IV. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

V. MAIN FINANCIAL INDICATORS

Loans in Bank Assets are 78% with 30.866.616 Thousand TL, Cash and Cash Equivalents are 10% with 4.327.581 Thousand TL, Securities 10% with 3.913.442 Thousand TL, Other Assets receives 2% with 677.826 Thousand TL.

Assets (Thousand TL)	31 March 2020	31 December 2019	Variance (%)
Cash Values and Cash Equivalents	4.327.581	3.810.683	14
Securities	3.913.442	2.952.183	33
Loans	30.866.616	28.991.184	6
Other Assets	677.826	638.124	6
Total Assests	39.785.465	36.392.174	9

Deposit in Bank Liabilities, are 71% with 28.376.728 Thousand TL, Non-Deposit Resources are %16 with 6.282.206 Thousand TL, Equity are 8% with 3.249.289 Thousand TL Other Liabilities are %5 with 1.877.242 Thousand TL.

Liabilities (Thousand TL)	31 March 2020	31 December 2019	Variance (%)
Deposit	28.376.728	25.457.245	11
Non- Deposit Resources	6.282.206	6.010.284	5
Other Liabilities	1.877.242	1.757.817	7
Equity	3.249.289	3.166.828	3
Total Liabilities	39.785.465	36.392.174	9

ZİRAAT KATILIM BANKASI A.Ş.

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INTERIM ACTIVITY REPOR (Continued)

V. Main Financial Indicators (Continued)

Selected Income-Expenses (Thousand TL)	31 March 2020	31 December 2019
Profit Share Income	901.896	792.313
Profit Share Expense	424.095	536.081
Net Profit Share Income	477.801	256.232
Net Fee and Commission Income	16.936	23.751
Other Operating Income	71.524	98.291
Other Operating Expense	67.708	59.829
Expected Loss Provision	311.748	148.458
Other Provision Expense	16.016	7.316
Personel Expense	53.976	44.686
Profit / Loss Before Tax	146.039	134.236
Tax Provision	(32.472)	(29.975)
Net Profit/Loss	113.567	104.261

RATIOS (%)	31 March 2020	31 December 2019
Capital Adequacy Ratio	14,3	16,6
Equity / Total Assets	8,2	8,7
Total Loans / Total Assets	70,5	65,2
Loans Under Follow-up (Gross) / Total Loans	2,8	2,3
Demand Deposits / Total Deposits	18,0	16,3
FC Assets / FC Liabilities ^(*)	95,1	96,3
Liquid Assets / Total Assets	10,8	10,5

(*) Indexed loans are not included in foreign currency.

VI. 2020 I. INTERIM ACTIVITIES

In the participation banking sector; our bank, which ranked first in financial leasing transactions, continues to maintain its current position.

In order to eliminate the grievances of our customers affected by the earthquake disaster that occurred on January 24, 2020 in the provinces of Elazığ and Malatya; To all of our financial leasing customers in Elazığ and Malatya; The opportunity to postpone for 3 months without dividends has been provided.

As a Ziraat Participation Bank, a request for postponement has been received and structured as part of the measures taken to minimize the possible damage to the economic life of the COVID-19 epidemic, which is experienced worldwide and affects our country.

In line with the goals and visions of our bank, to grow quality and profitable; leasing transactions that contribute with financial leasing transactions contribute to the balance sheet in terms of balanced resource use and risk management.

Regardless of the firm and sector distinction; It is aimed to support investments, contribute to employment and create added value.

Participation of Agriculture in cooperation with the automotive brands that we carry out the 2019 year-end production in Turkey by continuing to support domestic production by Q1 reputation; We continue to offer our Vehicle Financing Package for Domestic Production to our customers who will purchase zero km domestic production passenger cars and commercial vehicles.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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INTERIM ACTIVITY REPORT (Continued)

VI. 2020 I. INTERIM ACTIVITIES (Continued)

New Housing Finance has started to be offered to our customers for the financing of new residences.

In the housing financing prepared within the scope of the financing of new houses, the condition of "the first sale subject to the sale by the Housing Manufacturer (Contractor and / or Land Owner)" will be sought in determining the house.

As part of the protocol signed between the Agency and our Bank in February to provide financing for public housing sold by the General Directorate of National Real Estate, we have prepared our Public Housing Housing Finance product and started offering it to our Customers who have the right to purchase Public Housing in all provinces.

In order to eliminate the grievances of our customers affected by the earthquake disaster that occurred on 24 January 2020 in Elazığ and Malatya provinces;

- Deletion of all financing liabilities of our Bank's customers who lost their immediate relatives,
- Postponement of commercial / personal financing of our customers, whose residential or business place was destroyed, which were heavily damaged, was postponed for 6 months to a year, without any profit share.
- Individual and commercial financing installments of our customers in these provinces and districts, which were affected by the negativities experienced in the economic life due to the earthquake, were postponed for three months without profit

In addition, "Elazığ and Malatya Emergency Support Loan Protocol" was signed between KOSGEB and our Bank in order to provide financial support to businesses affected by the earthquake disaster that occurred on 24 January 2020 in Elazığ and Malatya provinces.

Within the scope of the protocol, a total of 36 (thirty six) months of non-profit financing opportunities are offered to businesses up to a maximum of TL 100.000 the first 12 (twelve) months without payment and the rest in three monthly equal installments.

As Ziraat Participation Bank, within the scope of the measures taken with the aim of minimizing the possible damages related to economic life of the COVID-19 epidemic, which is experienced worldwide and affects our country;

- We believe that sustaining our production infrastructure and labor market is the common goal of all stakeholders of the economy.
- In line with this goal, our Bank branches continued to serve our customers between 09:00 and 17:00. With this approach, in line with the "Economic Stability Shield" move, the following supports have been put into practice against the deterioration that our citizens and our business world may experience in this period of cash flows;
- * Receiving installment deferral requests of commercial and individual customers,
- * Current financing of our customers, whose cash flow has been disrupted or foreseen and may have payment problems related to this; In the sectors with periodic activity, up to 6 months without grace period, by giving additional time up to 12 months, the implementation of appropriate term configuration practices,
- * Provided that the companies paying the personnel salaries and maintain their employment at the end of February 2020; We have implemented measures to provide additional limit opportunities as much as 3-month staff salary expense, if necessary,
- * Additional capital requirements for the working capital and Direct Debit System that may arise due to the current conditions of our customers with a financing limit.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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INTERIM ACTIVITY REPORT (Continued)

VI. 2020 I. INTERIM ACTIVITIES (Continued)

Within the scope of the Economic Stability Shield measures, a protocol has been signed between KGF and our Bank in order to finance the basic needs of the Bank's legal customers, which are directly or indirectly affected by the outbreak, favorably. Within the framework of the Treasury Supported Surety System, a "Work Attendance Financing Support Package" was created, which provides KGF secured financing. As of the end of February 2020, real / legal person firms that protect or decrease the number of registered employees and who are directly or indirectly affected by the epidemic will be able to benefit. Financing is offered with a maximum term of 36 Months, with a maximum period of 6 months, Principal and Non-Profit Paying Period.

Within the scope of Economic Stability Shield measures, a protocol has been signed between KGF and our Bank in order to contribute directly to the outbreak directly or indirectly, to use the check payment tool in its commercial activities, to enable the checker legal entities to continue their commercial activities, and to pay the check fees they are obliged to pay by using an appropriate funding source. With the protocol, a "Check Payment Support Package" with KGF guarantee was created within the framework of the Treasury Supported Surety System. Real / legal entity businesses that are directly or indirectly affected by the epidemic (except individual customers) can benefit. Financing is offered with a maximum term of 12 Months, with a maximum period of 3 months from Principal and Non-Profit Paying Period.

Within the scope of Economic Stability Shield; In order to finance the basic needs of our individual customers who are directly or indirectly affected by the epidemic such as health, rent, invoice (electricity, water, natural gas) under appropriate conditions, "Basic Needs Support Financing" with KGF guarantee has been prepared. Our Individual Customers; You can apply to our Basic Needs Support Finance product on our corporate website, with a monthly installment of up to TL 10.000, with a 6-month grace period and up to 36 months..

In order to meet the demands of our customers and increase their satisfaction, credit card studies have started in the third quarter of 2019, and the transition process has been started in the first quarter of 2020. Our Bankkart credit card product will be available to our customers as of the second quarter of 2020 through Ziraat Bank Bankkart brand partnership..

New brands continue to be added to our pos network. Another agreement has been reached with a new brand and developments are ongoing.

Our Individual Customers; You can apply to our Basic Needs Support Finance product on our corporate website, with a monthly installment of up to TL 10.000 with a 6-month grace period and up to 36 months. In order to meet the demands of our customers and increase their satisfaction, credit card studies have started in the third quarter of 2019, and the transition process has been started in the first quarter of 2020. Our Bankkart credit card product will be available to our customers as of the second quarter of 2020 through Ziraat Bank Bankkart brand partnership. New brands continue to be added to our cash register pos network. Another agreement has been reached with a new brand and the developments are ongoing.

With our web-based audit module, which we have been using since the first quarter of 2020, our routine branch inspections are currently being carried out and our branch inspection reports are created through this module. This year, it is aimed to make improvements in our audit module, including branch inspections, risk control matrices for information systems and process audits, and actions to be taken and actions to be taken in these audits.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2020

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INTERIM ACTIVITY REPORT (Continued)

VI. 2020 I. INTERIM ACTIVITIES (Continued)

Corporate Web Site & Internet Branch & Mobile Banking

- Our Bank's Corporate Web Site (www.ziraatkatilim.com.tr) renewal project continues its design and development activities.
- Offers have been received from consulting firms for Hackathon activity. Planning was stopped due to the COVID-19 outbreak.
- In order to determine mutual needs and expectations between our Bank and Fintek Companies, to determine the areas where we can work together, II. The companies to be interviewed were determined for the Fintek Sharing meetings. Interviews have not yet been held due to the COVID-19 outbreak.
- Persons or organizations aiming to develop applications in the field of banking and finance; Infrastructure work that will open our Banking Services (API) to our external customers has been initiated so that all entrepreneurs with an idea or project in the field of banking and finance can develop the most innovative and trending applications by using this infrastructure.
- The "Digital Approval" project continues in order to obtain approval from our customers by using the Mobile Banking and Mobile Approval possibilities of the forms received by our customers at our branches.
- Work has been initiated for the Attorney Approval function before Participation Mobile Login.
- We continue our efforts to achieve distance customer acquisition (Video chat, biometric facial recognition technologies and application methods), integration of Chatbot applications to our bank channels.
- Donation Transactions with QR code are provided through our Participation Mobile application.
- In line with the demands and suggestions of our customers; Our Internet Branch and Participation Mobile application allows them to enter passwords more easily by allowing them to set passwords consisting only of numbers in order to increase their passwords, customer satisfaction and customer experience.
- A new corporate website has been prepared and launched for the Sudan Branch.
- The Channel Limit Management infrastructure in the Banking management platform (Intervision) has been updated in order to manage our branches more effectively and to meet customer needs.
- Within the scope of COVID -19 epidemic, the following new functions have been put into service in our channels in order to prevent our customers from being victimized.
- Installment Deferral function has been added to the Internet Branch in order to prevent our customers from suffering due to financing debts. - Individual Basic Need Support Financing applications:
- * As a preliminary application, it has started to be collected from our corporate website (www.ziraatkatilim.com.tr).
- * The Internet Branch - Application Completion step has been taken live for the customers who will be able to use the financing by making the evaluations.

ATM

- The Environment ATM Project (TAM ATM), which is carried out by the Public Banks, continues rapidly. In this context, the first pilot ATM was installed at our Bank and offered for use.
- Due to the COVID-19 outbreak, the daily withdrawal limits of ATMs have been updated as TL 5.000 to meet the needs of our customers through channels outside the branch.

ZİRAAT KATILIM BANKASI A.Ş.

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INTERIM ACTIVITY REPORT (Continued)

VI. 2020 I. INTERIM ACTIVITIES (Continued)

Customer Contact Center

We invest in a satisfied customer experience.

- The Bank's Call Center Project is analyzed with the Interview Analysis Project in order to improve the Customer Contact Center performance, improve operational processes and measure the customer experience.
- Project studies have been started to analyze, report and take action of customer notifications with 'Artificial Intelligence Supported Text Analytics'.
- In the external channels of our bank; Communication Quality Project has been started for the control, inspection and high quality standards of text and voice message content at every interaction point where the customer is contacted.

Correspondent Relations and Investment Banking

Ziraat Katılım Bankası A.Ş. In 2020, by completing the legislative harmonization process with a significant number of banks, it established a swift correspondent relationship and quickly met the demands in the field of foreign trade.

Reaching 42 correspondent accounts in 16 different currencies in total in correspondent banks in 2020, Ziraat Katılım Bankası A.Ş. also signed mutual wakala / murabaha contracts with many banks. The facility of the correspondent bank network necessary for the international payment transactions of our Bank's Sudan Branch has been arranged and work is ongoing.

Within the framework of these agreements, foreign sources were provided to increase the diversity of resources through inter-bank murabaha and wakala transactions.

Taking an active role in capital markets as part of its strategy to enrich the resource structure, Ziraat Katılım Bankası A.Ş., its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. continued to issue lease certificates in TL in the local market.

Within this framework, Ziraat Katılım Bankası A.Ş. (in the first quarter of 2020), in the first quarter of 2020, issued a total of 2.1 billion lease certificates in 4 different schemes (within the ceiling of the lease certificate amount of 8 billion TL previously obtained from the Capital Markets Board).

Ziraat Participation, ZBK Varlık Kiralama A.Ş. In order to issue corporate lease certificates in favor of third parties, the Company received a 150 million TL lease certificate issuance ceiling from the Capital Markets Board, and within the framework of this ceiling, the first lease certificate issue with a total amount of 42 million TL was realized in January.

Ziraat Katılım in 2020;

- Increasing the number of correspondent banks and foreign trade volume significantly, • Continuing lease certificate issuances in domestic markets,
- Adding corporate lease certificates in favor of third parties other than Ziraat Participation, adding depth to capital markets,
- Providing resources from international institutions for financing SMEs and foreign trade. aims to contribute increasingly to the real sector,
- To mediate new transactions within the scope of country loans.

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INTERIM ACTIVITY REPORT (Continued)

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

In the first quarter of 2020, the most important agenda item of global markets was the coronavirus emerging in Wuhan, China. After the virus became effective in China until mid-February, it spread rapidly all over the world and was declared as a pandemic by WHO (World Health Organization). The spread of the virus, which currently does not have a standard treatment, and the isolation (out of home) of the most effective measure against it has suppressed global demand and posed a significant risk on supply chains.

The virus appears to have negatively affected the global markets in the first quarter of 2020, but it is estimated that the actual negative impact will be seen in the second quarter of the year. Although the effects of the epidemic are thought to be temporary, recovery is expected to occur gradually. As a matter of fact, it is accepted by all authorities that the economic measures taken globally are difficult to withdraw immediately.

While the possibility of recession increased in the first half of the year due to the epidemic, many central banks and existing governments took strong steps such as interest rate cuts and asset purchase programs to support the economies. It is expected that such steps will continue in the coming period. Especially with the experience gained from the 2008 crisis, the US Central Bank (FED) has made monetary expansion over USD 2 trillion in order to remove the liquidity shortage. In addition, the approval of an incentive package of 2 trillion USD in the US Senate has been welcomed by the markets.

In the USA, there has been an increase in the number of unemployed people over 30 million within a short time due to the virus, in which case it has started to put pressure on the employment market. Increasing global risk caused investors to return to cash and the dollar to appreciate against all currencies worldwide. On the other hand, escape from risky assets increased demand for US 10-year bonds and the bond interest rate approached zero.

In the Euro Zone, a program has been approved by the European Central Bank (ECB) for the purchase of government and private corporate bonds in addition to the 120 billion EUR package. The bank stated in its statement that the ECB will consider all options and possibilities to combat this unusual shock. In the upcoming period, processes such as negative interest and asset purchase program are expected to continue in Europe.

In line with the decrease in transportation due to isolation, oil prices started to decrease with the decrease in oil demand. In addition, OPEC + put pressure on oil prices in the dispute over the production restriction and oil prices fell by up to 20 USD. In addition, China, which has an important role in the production of intermediate goods in the world, has caused serious problems especially in the supply chain of the European and US economies.

With the rapid spread of coronavirus outside of China, and fears of its economic effects increased, investors turned to reliable assets, after which an increase in gold and US bond prices. The increase in gold prices is expected to continue in the coming period due to the effect of the virus. as well as all over the world in the first quarter of 2020 has been coronavirus main agenda in Turkey.

Various measures are taken in the country and social and economic measures are increased in order to protect this virus, which has a high impact and spreading rate.

In this context, in order to maintain economic stability, the CBRT acted proactively before the meeting date in March, in addition to the 125-point interest rate cut in the January and February meetings, and went down by 100 basis points.

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INTERIM ACTIVITY REPORT (Continued)

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

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INTERIM ACTIVITY REPORT (Continued)

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

In the first quarter, policy rate decreased to 9.75% by decreasing to a single household. In addition, an economic support package of TL 100 billion was announced by our President Recep Tayyip Erdoğan on 18 March. In addition, various incentives and regulations have been implemented by many ministries. While such measures taken all over the world limit the unfavorable course in the markets, they also provided strong reactions from time to time. Economic incentives and regulations are expected to continue without compromising market stability and economic development through relevant institutions in line with the requirements. Thanks to the effective policies implemented by the economy management, the economy has begun to balance. While there was a serious decline in interest and inflation, TL gained stability. Especially after the second half of 2019, single digit figures were seen in inflation with the contribution of the base effect. While promising developments occurred in the manufacturing industry in this period, the current balance also had a limited deficit. However, the virus lost some power per Turkey began to affect the economy, Turkey has come in a rapid rise in five-year CDS rates. It is thought that the decline in oil prices and the decrease in demand will affect the inflation downward positively.

Although growth expectations for the first quarter of the year better than last year, as the real impact of the virus all over the globe are expected contraction in the second quarter seen in Turkey. Although there was some deterioration in budget figures due to the programs announced and government expenditures to reduce the effects of the virus, the total central government budget deficit in the first quarter decreased by 18.2% compared to the same period of the previous year. Compared with other countries in combating the virus Turkey is writing a success story. With the city's hospitals and investment in the health sector in recent years, Turkey, the number of beds per capita are among the highest increase in the country. In addition coronavirus due to the age limit of 65 and over it is more effective compared to other European countries with more than Turkey's young population, has the potential to be less affected by the virus.

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