

(Convenience Translation of Consolidated Interim Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)

Ziraat Katılım Bankası Anonim Şirketi

**Consolidated Interim Financial Statements
As at and for the Nine-Month Period Ended
30 September 2019**

With Auditors' Review Report Thereon

*(Convenience Translation of Consolidated Interim Financial Statements
and Related Disclosures and Footnotes Originally Issued in Turkish)*



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Convenience Translation of the Independent Auditor's Review Report
Originally Prepared and Issued in Turkish to English (See Note I in Section
Three)

REVIEW REPORT ON CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the Board of Directors of Ziraat Katılım Bankası Anonim Şirketi;

Introduction

We have reviewed the accompanying consolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi (the "Bank") and its consolidated financial subsidiaries (together referred to as the "Group") as at 30 September 2019 and the related consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows and; a summary of significant accounting policies and other explanatory notes to the consolidated financial information for the nine-month period then ended. The Bank Management is responsible for the preparation and fair presentation of these consolidated interim financial information in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and 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 Board and Turkish Accounting Standard 34 "Interim Financial Reporting" principles for those matters not regulated by afore-mentioned legislations. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of review

We conducted our review in accordance with Standard on Review Engagements (SRE) 2410, "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 consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Basis for the Qualified Conclusion

As mentioned in Section Five Note II.8.c.1 of Explanations and Notes to the unconsolidated financial statements, the accompanying unconsolidated interim financial information as of 30 September 2019 include general provision of total TL 30.000 thousands, that had been fully recognized as expense in prior periods, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in economy or market conditions.

Qualified Conclusion

Based on our review, except for the effect of the matter on financial statements described in the basis for the qualified conclusion paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information do not presented fairly in all material respects, the financial position of Ziraat Katılım Bankası A.Ş. at 30 September 2019, and its financial performance and its cash flows for the nine-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

Report on other regulatory requirements arising from legislation

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of KPMG International Cooperative



Erdal Tıkmaç, SMMM
Partner

14 November 2019
Istanbul, Turkey

Additional paragraph for convenience translation to English:

The accounting principles summarized in Note I of Section Three, differ from the accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

ZİRAAT KATILIM BANKASI A.Ş.
CONSOLIDATED FINANCIAL REPORT AS AT AND THE NINE
MONTH PERIOD ENDED 30 SEPTEMBER 2019

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi
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The consolidated financial report for nine months includes the following sections 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:

- GENERAL INFORMATION ABOUT THE PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE PARENT BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE GROUP
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON REVIEW REPORT
- EXPLANATIONS ON INTERIM ACTIVITY REPORT

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

	Subsidiaries	Associates	Joint ventures
1	Ziraat Katılım Varlık Kiralama A.Ş.	Ziraat Yatırım Menkul Değerler A.Ş.	-
2	ZKB Varlık Kiralama A.Ş.	-	-

The accompanying consolidated financial statements for nine months and notes to these financial statements 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 reviewed.

Hüseyin AYDIN
Chairman of the Board

Metin ÖZDEMİR
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
Telephone : 0 212 404 13 35
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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

SECTION ONE GENERAL INFORMATION ABOUT THE GROUP

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

Ziraat Katılım 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 Parent 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 Parent 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 Parent Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Parent 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. The Bank's paid-in capital was increased to TL 1.750.000 in 2017 Extraordinary General Assembly Meeting held on 20 September 2018 by increasing the paid-in capital of TL 500.000.

Main operation field of the Parent 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 Parent 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, Ziraat Katılım Bankası A.Ş (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 Parent 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.

II. SHAREHOLDING STRUCTURE, SHAREHOLDERS JOINTLY OR INDIVIDUALLY HAVING DIRECT OR INDIRECT, CONTROL OVER THE MANAGEMENT AND SUPERVISION OF THE BANK AND THE DISCLOSURES ON ANY RELATED CHANGES IN THE CURRENT PERIOD, IF ANY AND INFORMATION ABOUT THE GROUP THAT THE PARENT BANK BELONGS TO

As of 30 September 2019 and 31 December 2018, main shareholders and capital amounts as follows:

Name of Shareholders	30 September 2019		31 December 2018	
	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 Parent of the Parent 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Yusuf DAĞCAN	Vice President of the Executive Board, President of Corporate Management Committee, Substitute Member of Credit Committee
Metin ÖZDEMİR	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, Member of Corporate Management Committee, Member of Pricing Committee
Cemalettin BAŞLI	Member of the BOD, Member of Audit Committee, Member of Credit Committee
Assistant General Managers	
Dr. Ahmet ORTATEPE (*)	Loan Policies
Mehmet Said GÜL	Information Technologies and Operating
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

Chairman and members of the Board of Directors does not have any shares in the Bank's capital.

IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT 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 Parent of the Parent 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

GENERAL INFORMATION ABOUT THE GROUP (Continued)

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

Operation field of the Parent Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The Parent Bank collects funds with the scope of Islamic Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Parent 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 Parent Bank sorts out participation accounts and participation accounts based on investment proxy contracts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, three months, six months and annually). Participation accounts based on investment proxies can be opened under the entire maturity group, with a maturity of less than one month.

The Parent 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.

The Parent Bank together with its consolidated subsidiaries are referred to as the “Group” in these consolidated financial statements.

As of 30 September 2019, the Parent Bank has 1.106 (31 December 2018: 1.042) workers domestically.

The Parent Bank has no branches abroad.

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

There is no difference between consolidated financial statements prepared in accordance with BRSA regulation on the preparation of consolidated financial statements and consolidated financial statements prepared in accordance with Turkish Accounting Standards for the Bank. The Bank’s subsidiary Ziraat Katılım Varlık Kiralama A.Ş which is established on 22 January 2016 and ZKB Varlık Kiralama A.Ş. which is established in 8 September 2017 are consolidated within the scope of full consolidation. Ziraat Yatırım Menkul Değerler A.Ş. which is subsidiary of the Bank with 24% stake, is included in the consolidated financial statements as of 31 March 2019 according to equity method.

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

None.

SECTION TWO

CONSOLIDATED FINANCIAL STATEMENTS

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 30 SEPTEMBER 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (FINANCIAL POSITION)							
ASSETS	Note (V)	Thousands of Turkish Lira (TL)					
		Current Period (30/09/2019)			Prior period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
I. FINANCIAL ASSETS (NET)		1.882.320	3.193.148	5.075.468	1.520.928	2.577.299	4.098.227
I.1 Cash and Cash Equivalents		235.535	2.855.755	3.091.290	337.570	2.456.239	2.793.809
1.1.1 Cash and Balances with Central Bank	(1)	228.161	1.931.955	2.160.116	333.810	1.673.503	2.007.313
1.1.2 Banks	(2)	7.566	923.800	931.366	4.935	782.736	787.671
1.1.3 Money Market Placements		-	-	-	-	-	-
1.1.4 Expected Credit Losses (-)	(4)	192	-	192	1.175	-	1.175
I.2 Financial Assets Measured at Fair Value Through Profit/Loss (FVTPL)		-	-	-	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
I.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(3)	1.646.464	308.131	1.954.595	1.183.345	121.017	1.304.362
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		7.672	-	7.672	4.897	-	4.897
1.3.3 Other Financial Assets		1.638.792	308.131	1.946.923	1.178.448	121.017	1.299.465
I.4 Derivative Financial Assets	(5)	321	29.262	29.583	13	43	56
1.4.1 Derivative Financial Assets Measured at Fair Value Through Profit/Loss		321	29.262	29.583	13	43	56
1.4.2 Derivative Financial Assets Measured at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (Net)		14.994.873	10.118.545	25.113.418	12.565.543	5.173.882	17.739.425
2.1 Loans	(6)	14.079.631	7.571.933	21.651.564	12.274.161	4.969.829	17.243.990
2.2 Lease Receivables		1.415.594	2.047.264	3.462.858	499.781	204.053	703.834
2.3 Measured at Amortized Cost	(7)	-	499.348	499.348	-	-	-
2.3.1 Government Securities		-	499.348	499.348	-	-	-
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		500.352	-	500.352	208.399	-	208.399
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	64.308	-	64.308	4.259	-	4.259
3.1 Asset Held for Sale		64.308	-	64.308	4.259	-	4.259
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES	(9)	39.703	-	39.703	-	-	-
4.1 Associates (Net)		39.703	-	39.703	-	-	-
4.1.1 Associates Consolidated Under Equity Accounting		39.703	-	39.703	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	-	-	-
4.2 Subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Unconsolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	154.861	-	154.861	52.116	-	52.116
VI. INTANGIBLE ASSETS (Net)	(11)	106.503	-	106.503	80.396	-	80.396
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		106.503	-	106.503	80.396	-	80.396
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(14)	41.116	-	41.116	49.870	-	49.870
X. OTHER ASSETS	(15)	198.009	3.229	201.238	161.719	2.691	164.410
TOTAL ASSETS		17.481.693	13.314.922	30.796.615	14.434.831	7.753.872	22.188.703

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 30 SEPTEMBER 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED BALANCE SHEET (FINANCIAL POSITION)							
LIABILITIES AND SHAREHOLDERS' EQUITY	Note (V)	Thousands of Turkish Lira					
		Current period (30/09/2019)			Prior period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
I. FUNDS COLLECTED	(1)	9.991.721	10.141.793	20.133.514	8.248.433	6.902.550	15.150.983
II. FUNDS BORROWED	(2)	384.090	3.262.997	3.647.087	16.648	1.970.129	1.986.777
III. MONEY MARKET DEBTS	(3)	24.505	-	24.505	864.414	-	864.414
IV. SECURITIES ISSUED (Net)	(4)	2.406.612	-	2.406.612	1.375.097	-	1.375.097
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	-	-	-	-	6.145	6.145
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		-	-	-	-	6.145	6.145
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	95.017	12.471	107.488	-	415	415
VIII. PROVISIONS	(8)	109.315	35.730	145.045	117.948	14.016	131.964
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		27.916	-	27.916	21.640	-	21.640
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		81.399	35.730	117.129	96.308	14.016	110.324
IX. CURRENT TAX LIABILITY	(9)	98.239	-	98.239	53.987	-	53.987
X. DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
XI. LIABILITIES FOR 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)	300.130	489.307	789.437	-	-	-
12.1 Loans		300.130	489.307	789.437	-	-	-
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	422.298	38.221	460.519	368.204	32.133	400.337
XIV. SHAREHOLDERS' EQUITY	(14)	2.984.923	(754)	2.984.169	2.218.279	305	2.218.584
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	-	-	-
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	-	-	-
14.3 Accumulated Other Comprehensive Income or Loss That Will Not Be Reclassified in Profit or Loss		1.640	-	1.640	1.473	-	1.473
14.4 Accumulated Other Comprehensive Income or Loss That Will Not Be Reclassified in Profit or Loss		8.756	(754)	8.002	(40.112)	305	(39.807)
14.5 Profit Reserves		558.214	-	558.214	158.593	-	158.593
14.5.1 Legal Reserves		35.234	-	35.234	9.961	-	9.961
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		490.570	-	490.570	138.256	-	138.256
14.5.4 Other Profit Reserves		32.410	-	32.410	10.376	-	10.376
14.6 Profit or Loss		404.800	-	404.800	348.325	-	348.325
14.6.1 Prior Periods' Profit / Loss		25.660	-	25.660	25.660	-	25.660
14.6.2 Current Periods' Profit / Loss		379.140	-	379.140	322.665	-	322.665
TOTAL LIABILITIES AND EQUITY		16.816.850	13.979.765	30.796.615	13.263.010	8.925.693	22.188.703

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS AT 30 SEPTEMBER 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS							
	Note (V)	Thousands of Turkish Lira					
		Current period (30/09/2019)			Prior period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
A							
OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(1)	5.013.935	7.874.439	12.888.374	4.369.125	8.684.102	13.053.227
I. GUARANTEES AND WARRANTIES		4.682.359	5.920.654	10.603.013	4.070.241	6.213.201	10.283.442
1.1 Letters of Guarantee		4.652.934	4.418.039	9.070.973	4.058.895	4.581.471	8.640.366
1.1.1 Guarantees Subject to State Tender Law		143.245	1.235.732	1.378.977	263.507	1.436.775	1.700.282
1.1.2 Guarantees Given for Foreign Trade Operations		4.321.133	-	4.321.133	3.622.754	-	3.622.754
1.1.3 Other Letters of Guarantee		188.556	3.182.307	3.370.863	172.634	3.144.696	3.317.330
1.2 Bank Acceptances		-	11.448	11.448	-	3.591	3.591
1.2.1 Import Letter of Acceptance		-	11.448	11.448	-	3.591	3.591
1.2.2 Other Bank Acceptances		-	-	-	-	-	-
1.3 Letters of Credit		25.320	692.362	717.682	5.584	611.224	616.808
1.3.1 Documentary Letters of Credit		25.320	692.362	717.682	5.584	611.224	616.808
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		-	798.805	798.805	-	1.010.273	1.010.273
1.7 Other Collaterals		4.105	0	4.105	5.762	6.642	12.404
II. COMMITMENTS	(1)	324.901	111.140	436.041	298.884	59.931	358.815
2.1 Irrevocable Commitments		324.901	111.140	436.041	298.884	59.931	358.815
2.1.1 Forward Asset purchase commitments		34.133	111.140	145.273	28.133	59.931	88.064
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		146.550	-	146.550	102.994	-	102.994
2.1.7 Tax and Fund Liabilities from Export Commitments		10.748	-	10.748	6.925	-	6.925
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		133.470	-	133.470	160.832	-	160.832
2.2 Revocable Commitments		-	-	-	-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-	-	-	-
2.2.2 Other Revocable Commitments		-	-	-	-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS	(2)	6.675	1.842.645	1.849.320	-	2.410.970	2.410.970
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		6.675	1.842.645	1.849.320	-	2.410.970	2.410.970
3.2.1 Forward Foreign Currency Buy/Sell Transactions		6.675	1.842.645	1.849.320	-	2.410.970	2.410.970
3.2.1.1 Forward Foreign Currency Transactions-Buy		6.675	934.074	940.749	-	1.204.570	1.204.570
3.2.1.2 Forward Foreign Currency Transactions-Sell		-	908.571	908.571	-	1.206.400	1.206.400
3.2.2 Other Forward Buy/Sell Transaction		-	-	-	-	-	-
3.3 Other		-	-	-	-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		25.357.550	3.836.579	29.194.129	19.380.896	2.390.013	21.770.909
IV. ITEMS HELD IN CUSTODY		2.416.045	1.089.908	3.505.953	1.322.027	752.222	2.074.249
4.1 Customer Fund and Portfolio Balances		-	-	-	-	-	-
4.2 Investment Securities Held in Custody		1.925.244	-	1.925.244	919.760	-	919.760
4.3 Checks Received for Collection		411.969	78.568	490.537	361.417	61.070	422.487
4.4 Commercial Notes Received for Collection		66.734	15.118	81.852	39.613	2.604	42.217
4.5 Other Assets Received for Collection		-	-	-	-	-	-
4.6 Assets Received for Public Offering		-	-	-	-	-	-
4.7 Other Items Under Custody		12.098	319.543	331.641	1.237	297.828	299.065
4.8 Custodians		-	676.679	676.679	-	390.720	390.720
V. PLEDGES RECEIVED		22.941.505	2.746.671	25.688.176	18.058.869	1.637.791	19.696.660
5.1 Marketable Securities		1.139.627	427.711	1.567.338	919.767	442.154	1.361.921
5.2 Guarantee Notes		1.136.417	188.797	1.325.214	1.204.313	156.295	1.360.608
5.3 Commodity		1.698.323	449.035	2.147.358	1.286.488	367.493	1.653.981
5.4 Warranty		-	-	-	-	-	-
5.5 Properties		15.542.590	879.933	16.422.523	12.115.418	105.561	12.220.979
5.6 Other Pledged Items		3.424.548	801.195	4.225.743	2.532.883	566.288	3.099.171
5.7 Pledged Items-Depository		-	-	-	-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		30.371.485	11.711.018	42.082.503	23.750.021	11.074.115	34.824.136

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS					
INCOME / EXPENSE ITEMS	Note (V)	Thousands of Turkish Lira		Thousands of Turkish Lira	
		Current Period	Prior Period	Current Period	Prior Period
		01/01-30/09/2019	01/01-30/09/2018	01/07-30/09/2019	01/07-30/09/2018
I. PROFIT SHARE INCOME	(1)	2.636.672	1.366.554	948.367	574.232
1.1 Profit Share on Loans		2.131.460	1.221.688	760.165	515.101
1.2 Profit Share on Reserve Deposits		38.107	25.152	12.530	10.063
1.3 Profit Share on Banks		507	-	84	-
1.4 Profit Share on Money Market Placements		-	-	-	-
1.5 Profit Share on Marketable Securities Portfolio		158.541	75.268	60.157	31.650
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		9.708	-	5.352	-
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		148.833	75.268	54.805	31.650
1.5.3 Financial Assets Measured at Amortised Cost		-	-	-	-
1.6 Financial Lease Income		281.577	38.190	98.846	15.376
1.7 Other Profit Share Income		26.480	6.256	16.585	2.042
II. PROFIT SHARE EXPENSE	(2)	1.716.928	839.930	593.623	367.150
2.1 Expense on Profit Sharing Accounts		1.182.707	698.513	405.709	302.563
2.2 Profit Share Expense on Funds Borrowed		204.228	42.412	67.579	13.614
2.3 Profit Share Expense on Money Market Borrowings		10.591	19.282	2.382	14.085
2.4 Expense on Securities Issued		304.403	79.717	112.563	36.884
2.5 Lease Profit Share Expense		14.981	5	5.390	3
2.6 Other Profit Share Expenses		18	1	-	1
III. NET PROFIT SHARE INCOME (I - II)		919.744	526.624	354.744	207.082
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		71.961	38.642	24.707	15.852
4.1 Fees and Commissions Received		105.732	54.197	38.610	21.301
4.1.1 Non-cash Loans		86.507	41.730	30.095	17.359
4.1.2 Other		19.225	12.467	8.515	3.942
4.2 Fees and Commissions Paid		33.771	15.555	13.903	5.449
4.2.1 Non-cash Loans		35	42	-	-
4.2.2 Other		33.736	15.513	13.903	5.449
V. DIVIDEND INCOME	(3)	2.857	177	-	-
VI. NET TRADING INCOME	(4)	52.518	32.079	16.493	20.174
6.1 Capital Market Transaction Gains / Losses		384	(1.495)	784	-621
6.2 Gains/ Losses From Derivative Financial Instruments		72.520	24.439	54.584	1.320
6.3 Foreign Exchange Gains / Losses		(20.386)	9.135	-38.875	19.475
VII. OTHER OPERATING INCOME	(5)	150.206	54.814	38.676	18.420
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		1.197.286	652.336	434.620	261.528
IX. EXPECTED CREDIT LOSSES (-)	(6)	391.450	136.669	90.413	73.240
X. OTHER PROVISIONS (-)		19.637	12.116	6.544	3.104
XI. PERSONNEL EXPENSES (-)		136.524	89.631	44.524	31.037
XII. OTHER OPERATING EXPENSES (-)	(7)	168.376	110.170	52.120	38.896
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		481.299	303.750	241.019	115.251
XIV. INCOME RESULTED FROM MERGERS		-	-	-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		14.930	-	5.189	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	496.229	303.750	246.208	115.251
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(117.089)	(61.705)	(64.979)	(24.512)
18.1 Current Tax Provision		(116.805)	(83.458)	(57.919)	(38.132)
18.2 Expense Effect of Deferred Tax (+)		(10.344)	(191)	(895)	1.582
18.3 Income Effect of Deferred Tax (-)		10.060	21.944	(6.165)	12.038
XIX. OPERATING PROFIT/LOSS AFTER TAXES(XVI±XVII)	(10)	379.140	242.045	181.229	90.739
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)	379.140	242.045	181.229	90.739
Earnings per share income/loss (Full TL)		0,2167	0,1936	0,1036	0,0726

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

ZİRAAT KATILIM BANKASI A.Ş.**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2019**

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

ZİRAAT KATILIM BANKASI A.Ş CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
THOUSANDS OF TURKISH LIRA		
	Current period 01/01-30/09/2019	Prior period 01/01-30/09/2018
I. CURRENT PERIOD PROFIT/LOSS	379.140	242.045
II. OTHER COMPREHENSIVE INCOME	47.809	(21.000)
2.1 Other Income/Expense Items not to be Recycled 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	47.809	(21.000)
2.2.1 Translation Differences	-	-
2.2.2 Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	61.251	(26.941)
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	(13.442)	5.941
III. TOTAL COMPREHENSIVE INCOME (I+II)	426.949	221.045

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 PERIOD ENDED 30 SEPTEMBER 2019

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																		
							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 Equity Except from Minority Interest	Minority Interest	Total Shareholders' Equity		
PRIOR PERIOD		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											
1 January-30 September 2018																		
I.	Prior Period End Balance	1.250.000	-	-	-	-	-	-	(14.912)	-	9.691	158.902	-	-	1.403.681	-	1.403.681	
II.	Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	25.660	-	-	25.660	-	25.660	
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	25.660	-	-	25.660	-	25.660	
III.	Adjusted Beginning Balance (I+II)	1.250.000	-	-	-	-	-	-	(14.912)	-	9.691	184.562	-	-	1.429.341	-	1.429.341	
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	(21.000)	-	-	-	242.045	-	221.045	-	221.045	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes(*)	-	-	-	-	-	-	-	-	-	148.902	(158.902)	-	-	(10.000)	-	(10.000)	
XI.	Profit Distribution	-	-	-	-	-	-	-	-	-	-	(10.000)	-	-	(10.000)	-	(10.000)	
11.1	Dividends paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	148.902	(148.902)	-	-	-	-	-	
11.3	Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	Period-End Balance (I+II+III+...+XVI+XVII+XVIII)	1.250.000	-	-	-	-	-	-	(35.912)	-	158.593	25.660	242.045	-	1.640.386	-	1.640.386	
CURRENT PERIOD																		
1 January-30 September 2019																		
I.	Prior Period End Balance	1.750.000	-	-	-	-	1.473	-	(39.807)	-	158.593	348.325	-	-	2.218.584	-	2.218.584	
II.	Adjustment in accordance with TAS 8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1	Effects of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2	Effect of changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III.	Adjusted Beginning Balance (I+II)	1.750.000	-	-	-	-	1.473	-	(39.807)	-	158.593	348.325	-	-	2.218.584	-	2.218.584	
IV.	Total Comprehensive Income	-	-	-	-	-	-	-	47.809	-	-	-	379.140	-	426.949	-	426.949	
V.	Capital Increase by Cash	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI.	Capital Increase by Internal Sources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII.	Paid-in capital inflation adjustment difference	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII.	Convertible Bonds to Shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX.	Subordinated Debt Instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X.	Increase/Decrease by Other Changes(*)	-	-	-	261.513	-	191	(24)	-	-	76.956	-	-	-	338.636	-	338.636	
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 (I+II+III+...+XVI+XVII+XVIII)	1.750.000	-	-	261.513	-	1.664	(24)	8.002	-	558.214	25.660	379.140	-	2.984.169	-	2.984.169	

(*) Including Ziraat Finansal Kiralama A.Ş. effects of TL 250.000 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.

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

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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

ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS			
	Note (VI)	THOUSAND OF TURKISH LIRA	THOUSAND OF TURKISH LIRA
		Current Period 01/01/2019 - 30/09/2019	Prior Period 01/01/2018 - 30/09/2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Profit/(Loss)		(61.588)	(179.982)
1.1.1 Profit Share Income Received		2.367.314	1.244.720
1.1.2 Profit Share Expense Paid		(1.600.249)	(778.135)
1.1.3 Dividend Received		2.857	177
1.1.4 Fees And Commissions Received		71.961	54.197
1.1.5 Other Income		10.614	9.178
1.1.6 Collections From Previously Written Off Loans		55.169	15.751
1.1.7 Payments To Personnel And Service Suppliers		(145.401)	(97.498)
1.1.8 Taxes Paid		(90.406)	(45.325)
1.1.9 Others (*)		(733.447)	(583.047)
1.2 Changes In Operating Assets And Liabilities		1.544.636	415.910
1.2.1 Net (Increase) / Decrease In Financial Assets At Fair Value Through Profit Or Loss		(29.173)	(3.607)
1.2.2 Net (Increase) / Decrease In Due From Banks And Other Financial Institutions		(257.642)	(256.524)
1.2.3 Net (Increase) / Decrease In Loans		(3.369.243)	(5.992.370)
1.2.4 Net (Increase) / Decrease In Other Assets		701.420	(14.273)
1.2.5 Net Increase / (Decrease) In Bank Funds		1.343	36.148
1.2.6 Net Increase / (Decrease) In Other Funds		4.951.235	6.334.537
1.2.7 Net Increase / Decrease In Financial Liabilities At Fair Value Through Profit Or Loss		-	-
1.2.8 Net Increase / (Decrease) In Funds Borrowed		155.421	(265.494)
1.2.9 Net Increase / (Decrease) In Payables		-	-
1.2.10 Net Increase / (Decrease) In Other Liabilities (*)		(608.725)	577.493
I. Net Cash Provided From Banking Operations		1.483.048	235.928
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided From Investing Activities		(1.938.863)	(498.479)
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		(35.175)	(26.880)
2.4 Disposals Of Tangible Assets		-	-
2.5 Purchase Of Financial Assets At Fair Value Through Other Comprehensive Income		(1.446.422)	(471.599)
2.6 Sale Of Financial Assets At Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase Of Financial Assets Measured At Amortized Cost		(456.003)	-
2.8 Sale Of Financial Assets Measured At Amortized Cost		-	-
2.9 Other (*)		(1.263)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided From Financing Activities		390.882	361.691
3.1 Cash Obtained From Funds Borrowed And Securities Issued		5.244.857	2.114.000
3.2 Cash Used For Repayment Of Funds Borrowed And Securities Issued		(4.862.310)	(1.745.892)
3.3 Issued Equity Instruments		10.040	-
3.4 Dividends Paid		-	-
3.5 Payments For Finance Leases		(24.045)	(12.249)
3.6 Other (*)		22.340	5.832
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents		103.303	242.831
V. Net Increase/ (Decrease) In Cash And Cash Equivalents (I+II+III+IV)		38.370	341.971
VI. Cash And Cash Equivalents At The Beginning Of The Period		1.145.532	601.801
VII. Cash And Cash Equivalents At The End Of The Period		1.183.902	943.772

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

**SECTION THREE
ACCOUNTING PRINCIPLES**

I. EXPLANATION ON BASIS OF PRESENTATION

Ziraat Katılım Bankası A.Ş. (“The Bank or “The Parent Bank”) and its consolidated financial subsidiaries (together “the Group”) prepare their consolidated financial statements in accordance with “the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards (TFRS) published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

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

Unless otherwise specified, all balances in the consolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

The preparation of consolidated financial statements requires the use of certain critical estimates on assets and liabilities reported as of balance sheet date or amount of contingent assets and liabilities explained and amount of income and expenses occurred in related period. Although these estimates rely on the management’s best judgment, actual results can vary from these estimates. Judgments and estimates are explained in related notes.

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

CHANGES IN ACCOUNTING POLICIES

TFRS 16 Leases

TFRS 16 Leases standard is published in the Official Gazette no. 29826 dated 16 April 2018 which is effective for the reporting periods after 1 January 2019. Bank applies TFRS 16 “Leases” Standard, which replaces TAS 17 “Leases”, starting from 1 January 2019 for the first time. These liabilities were measured based on the discounted current value by using the incremental borrowing rate of interest of remaining lease payments as of 1 January 2019. The difference between the operating lease and financial lease has been removed and the lease transactions are started to be recognised under “Tangible Fixed Assets” as an asset and under “Liabilities from Leasing” as a liability.

The Parent Bank used the model projected by the standard in the transactions to be lessee, with the exception of low-value assets and short-term rentals (1 year or less).

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting applications are almost the same.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

ACCOUNTING PRINCIPLES (Continued)

I. EXPLANATION ON BASIS OF PRESENTATION (Continued)

CHANGES IN ACCOUNTING POLICIES (Continued)

TFRS 16 Leases (Continued)

This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

Bank recognizes a lease liability and a right-of-use asset at the date of initial application TFRS 16 for leases previously classified as an operating lease applying TAS 17. The Parent Bank measures that lease liability by the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application. Besides, the Parent Bank measures that right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

The effects of application of TFRS 16

	31 December 2018	TFRS 16 Classification Effect	TFRS 16 Transition Effect	1 January 2019
Properties (Net)	-	888	81.768	82.656
Tangible assets (Net)	52.116	-	5.707	57.823
Other assets (Net)	164.410	(888)	-	163.522
Lease liabilities (Net)	-	-	87.475	87.475

II. EXPLANATIONS ON USAGE STRATEGY OF FINANCIAL ASSETS AND FOREIGN CURRENCY TRANSACTIONS

The Parent Bank's main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of the Parent Bank's resources consists of funds collected, funds borrowed and shareholders equity. Bank evaluates these resources on lease certificates and loans. Bank's liquidity position considered as defraying all the maturing liabilities.

The procedures including foreign currency were recorded based on the buying rate of the counter ruling at the transaction date. Foreign currency denominated monetary assets and liabilities are valued with the period end exchange rates announced by the Central Bank of Turkey converting them into Turkish Lira and valuation differences of foreign currencies have been recognized under the net foreign exchange income/expense account.

The foreign currency exchange differences resulting from the translation of debt securities issued and monetary financial instruments are reflected in the income statement. There are no foreign currency differences capitalized by the Parent Bank.

The Bank carries out the balance sheet and equity management within the risk limits by the Asset and Liability Committee determined by the Board of Directors in order to keep the liquidity, exchange rate and credit risks within certain limits and to maximize the profitability in consideration of the market conditions within the possibilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

ACCOUNTING PRINCIPLES (Continued)

III. EXPLANATIONS ON INVESTMENTS IN ASSOCIATES, SUBSIDIARIES AND JOINT VENTURES

a. Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

Subsidiaries (including special purpose entity) are all entities, in which the Group has power to control the financial and operating policies for the benefit of the Parent Bank, either (a) through the power to exercise more than 50% of the voting rights relating to shares in the companies owned directly and indirectly by itself; or (b) although not having the power to exercise more than 50% of the using rights, otherwise having the power to exercise control over the financial and operating policies.

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

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

Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Subsidiaries will be excluded from the scope of consolidation at the date that control is over. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been 100% consolidated line by line with the balance sheet, income statement and off balance sheet of the Parent Bank. The book value of the investments of the Group in each subsidiary has been netted off with the portion of each subsidiary’s capital that belongs to the Group. Unrealized gains and losses and balances resulting from the transactions among the subsidiaries included in consolidation have been eliminated. In order to determine the net income of the Group, minority shares in the net income of the consolidated subsidiaries have been identified and deducted from the net income of the subsidiary.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

ACCOUNTING PRINCIPLES (Continued)

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

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

30 September 2019				
Title	Address (City / Country)	Main Activities	Parent Bank's Share Percentage (%)	Parent Bank's Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul/Turkey	Lease Certificate Issue	100	100
ZKB Varlık Kiralama A.Ş.	İstanbul/Turkey	Lease Certificate Issue	100	100

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

2. Consolidation principles of associates and joint ventures:

Ziraat Yatırım Menkul Değerler A.Ş., an intermediary institution of the Parent Bank, pursuant to the "Communiqué On Preparation Of Consolidated Financial Statements Of Banks", is accounted in the consolidated financial statements using the equity method. Accounting policies used by Ziraat Yatırım Menkul Değerler A.Ş. are not different from the Parent Bank's accounting policies.

The Parent Bank prepares its consolidated financial statements in accordance with the "Communiqué On Preparation Of Consolidated Financial Statements Of Banks" tab by including its subsidiaries or financial institutions. In this context, the credit institutions or financial affiliates of the Bank are accounted for in the consolidated financial statements by equity method in accordance with TAS 28 "Investments in Associates and Joint Ventures"

Information on the associate accounted by equity method:

30 September 2019				
Name	Operation Center (City / Country)	Business Activity	Effective Subsidiaries Ratios (%)	Direct and Indirect Subsidiaries Ratios (%)
Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul/Türkiye	Intermediary Institution	24	24

3. 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 Consolidated Financial Statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

ACCOUNTING PRINCIPLES (Continued)

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

3. Accounting for business combinations under common control (Continued)

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 (eg 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 Consolidated 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).

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.

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

ACCOUNTING PRINCIPLES (Continued)

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

3. Accounting for business combinations under common control (Continued)

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

This merger is evaluated as "Business Combinations Under Common Control" within the scope of the POA No. 2018-1 "Implementation of Resolution for the Turkish Accounting Principles" and pooling of interest method is applied. In accordance with the related resolution, the financial statements have not been restated as of the beginning of the reporting period in which the joint control occurs taking advantage of the exception presented to the entities engaged in interim financial reporting and have not been presented comparatively from the beginning of the reporting period.

With the Board of Directors decision dated 21 February 2019 and numbered 6/1, the Parent Bank takes over Ziraat Finansal Kiralama A.Ş. As a result of the merger, Ziraat Finansal Kiralama A.Ş.'s 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Parent Bank.

This merger is evaluated as "Business Combinations Under Common Control" within the scope of the POA No. 2018-1 "Implementation of Resolution for the Turkish Accounting Principles" and pooling of interest method is applied. In accordance with the related resolution, the financial statements have not been restated as of the beginning of the reporting period in which the joint control occurs taking advantage of the exception presented to the entities engaged in interim financial reporting and have not been presented comparatively from the beginning of the reporting period.

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

Derivative financial instruments of the Parent 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

ACCOUNTING PRINCIPLES (Continued)

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

Financial assets are recognized or derecognized according to TFRS 9 Financial Instruments section 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 categorizes its financial assets as “Fair Value Through Profit/Loss”, “Fair Value Through Other Comprehensive Income” or “Measured at Amortized Cost”. Financial instruments comprise financial assets and liabilities and derivative instruments. This classification is based on the contractual cash flow characteristics of the financial assets and related business model used for management of the financial assets at initial recognition.

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 the statement of profit/loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

b. Financial assets at fair value through other comprehensive income

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.

During the initial recognition, the Bank does not qualify as a contingent consideration in the financial statements of an entity acquired in a business combination where a business combination is not held for commercial purposes or where a TFRS 3 Business Combinations standard is applied; in respect of recognizing in statement profit or loss and other comprehensive income of the changes in subsequent periods in the fair value of an investment in equity instruments under TFRS 9, an irrevocable preference can be made. The Bank makes this option separately for each financial instrument.

The related fair value differences recognized in other comprehensive income are transferred to profit or loss in the following periods and transferred to previous years' profit / loss. Dividends on such investments are recognized in profit or loss unless it is explicitly required to recover part of the cost of the investment. The equity instruments, whose fair value difference is reflected in other comprehensive income, are not subject to impairment calculation.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

ACCOUNTING PRINCIPLES (Continued)

VII. EXPLANATIONS ON FINANCIAL ASSETS (Continued)

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 income statement.

Loans:

Loans are financial assets that are originated by the Parent 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”.

Loans are initially carried at cost value. 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 Parent Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of the Bank at installment date.

The Parent Bank’s loans are recognized under the “Measured at Amortized Cost” account.

Financial assets at amortized cost:

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 measured at amortized cost are initially recognized at their acquisition cost at fair value and subsequently measured at amortized cost using the “Effective interest method”. Profit share income from financial assets measured at amortized cost is recognized in profit or loss.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on expected loss provisions

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

- 12-Month Expected Loss Provision (Stage I) applies to all assets unless there is a significant deterioration in credit quality.
- Lifetime Expected Loss Provision (Stage II and Stage III) is applied when there is a significant increase in credit risk. Impairment for expected loss,

Impairment

As of 1 January 2018, the Parent 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” published in the Official Gazette dated 22 June 2016 numbered 29750. 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 finance lease receivables) and, in addition, financial lease receivables that are not measured at fair value through profit or loss, 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:

12 month expected credit losses (stage 1)

For the financial assets at initial recognition or that do not have a significant increase in credit risk since initial recognition. Impairment for credit risk is recorded in the amount of 12-month expected credit losses. For such assets impairment for credit risk is recorded in the amount of 12-month expected credit losses.

It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

Significant increase in credit risk (stage 2)

In the event of a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2. expected credit loss is determined on the basis of the instrument’s lifetime expected credit losses.

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ACCOUNTING PRINCIPLES (Continued)

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)

Impairment (Continued)

Credit-impaired losses (stage 3 / specific provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recognized and profit share revenue is calculated on the net carrying amount.

The Bank assumes that as default in the following two cases:

- Objective Default Definition: This means that the debt is overdue by more than 90 days.
- Subjective Default Definition: It means that the debt is not 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. A credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original expected value 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.

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 and product information for the individual portfolio are taken as the basis

Default Amount

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

Loss Given Default

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

Future Expectations

The effect of future expectations is included in the credit risk parameters used in the calculation of expected credit losses by using scenarios related to macroeconomic factors. The main macroeconomic indicators that create these estimation models are 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

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ACCOUNTING PRINCIPLES (Continued)

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when, and only when the Parent Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle 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 of the Parent Bank. 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 provide funds.

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

Property and equipment held-for-sale consist of tangible assets that were acquired due to non-performing loans and receivables of the Parent Bank, and are accounted in the financial statements in accordance with the regulations of “Turkish Financial Reporting Standard for Assets Held for Sale and Discontinued Operations (TFRS 5)”.

Assets which meet the criteria to be classified as held for sale are measured by the book value or the fair value from which the cost of sales is deducted, whichever is lower and no more amortization is made for such assets; and these assets are shown separately on the balance sheet. In order to classify an asset as an held for sale, the related asset (or the group of assets to be disposed of) should be able to be sold immediately and the probability of sale for such assets (or group of assets to be disposed of), should be high under current conditions.

The properties obtained from the Parent Bank’s receivables are shown at assets held for sale line according to the execution of the forward sales agreement.

A discontinued operation is a part of a bank’s business classified as sold or held-for-sale. The results of the discontinued operations are disclosed separately in the income statement. The Parent Bank has no discounted operations.

As of 30 September 2019, the Parent Bank’s held for sale assets is TL 64.308 (31 December 2018: TL 4.259).

XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS

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

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

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

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ACCOUNTING PRINCIPLES (Continued)

XIII. EXPLANATIONS ON TANGIBLE ASSETS

Property and equipment is measured at its cost when initially recognized 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 held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Operations

Transactions as a lessee

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

Right of use;

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

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

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

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

The Parent 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.

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ACCOUNTING PRINCIPLES (Continued)

XIV. EXPLANATIONS ON LEASING TRANSACTIONS (Continued)

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

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

The profit for the lease obligation for each period in the lease term is the amount calculated by applying a fixed periodic rate of profit to the remaining balance of the lease obligation. The Participation Bank participates in leasing transactions as lessor. The Participation 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 AND CONTINGENT LIABILITIES

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

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

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

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

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

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ACCOUNTING PRINCIPLES (Continued)

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

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

According to the related regulation, 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 Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Parent Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 30 September 2019, the Parent Bank’s employee termination benefit is TL 7.358 (31 December 2018: TL 5.056).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 30 September 2019 unused vacation liability of the Parent Bank is TL 5.558 (31 December 2018: TL 3.584).

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

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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 cancelling the provisional article 23 of the Banking Law 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 9,80%. 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.

ZİRAAT KATILIM BANKASI A.Ş.

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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 (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 2018 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 Parent bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Parent 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. According to Tax Procedural Code Circular No: 115 dated 29/03/2019, Advance tax is declared by the 14th 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)

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

Moreover, according to 5.1.f. article of Corporation Tax Law; corporations which have been fallen to legal proceedings because of owe to the bank or Savings Deposit Insurance Funds, and their warrantees' 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. Tax returns are required to be filled and delivered to the related tax office until the evening of the 25th of the fourth month following the balance sheet date and the accrued tax is paid on the same date. Tax returns are open for 5 years from the beginning of the year following the balance sheet date and during this period the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

b. Deferred tax

In accordance with TAS 12 "Turkish Accounting Standards Relating to Income Tax", the Parent Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

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

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

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

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

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

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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 Group 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 Parent 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 initial public offering 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 Group 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 Group, are disclosed in Note XII. 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 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.

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SECTION FOUR

EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 30 September 2019 current period capital amount of the Group is TL 3.673.833 (31 December 2018: TL 2.164.939), and capital adequacy standard ratio is 16,58% (31 December 2018: 12,76%).

Information Related To The Components of Consolidated Shareholders' Equity:

	Current Period 30.09.2019	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	819.727	
Gains recognized in equity as per TAS	9.642	
Profit	404.800	
Current Period Profit	379.140	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognised within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	2.984.169	
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	19.198	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	106.503	
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	125.701	
Total Common Equity Tier 1 Capital	2.858.468	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30.09.2019	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(**)	478.867	
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	478.867	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.337.335	
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)	37.453	
Tier II Capital Before Deductions	337.453	
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	337.453	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.674.788	

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Current Period 30.09.2019	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 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 (-)	955	
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	3.673.833	
Total risk weighted amounts	22.164.384	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,90	
Tier 1 Capital Adequacy Ratio	15,06	
Capital Adequacy Ratio	16,58	
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	8,40	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	37.453	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	37.453	
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 22 April 2019.

(***) In order to obtain TL 300,000 supplementary capital, T.C. Ziraat Bank A.Ş. on March 28, 2019, and this loan was effectively entered into the Bank's accounts 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2018	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	158.593	
Gains recognized in equity as per TAS	305	
Profit	348.325	
Current Period Profit	322.665	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Share issue premiums	-	
Common Equity Tier 1 Capital Before Deductions	-	
Deductions from Common Equity Tier 1 Capital	2.257.223	
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	38.639	
Cost of development of operating lease	18.408	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	-	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	80.396	
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	1.728	
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	-	
Total Deductions From Common Equity Tier 1 Capital	139.171	
Total Common Equity Tier 1 Capital	2.118.052	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2018	Amounts related to treatment before 1/1/2014(*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	-
Debt instruments and premiums approved by BRSA	-	-
Debt instruments and premiums approved by BRSA(Temporary Article 4)	-	-
Additional Tier I Capital before Deductions	-	-
Deductions from Additional Tier I Capital	-	-
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	-
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7	-	-
Total of Net Long Positions of the Investments in Equity Items of Consolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Consolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
Transition from the Core Capital to Continue to deduce Components	-	-
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	-
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	-
Total Deductions From Additional Tier I Capital	-	-
Total Additional Tier I Capital		
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	2.118.052	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA	-	-
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	47.962	-
Provisions (Article 8 of the Regulation on the Equity of Banks)	-	-
Tier II Capital Before Deductions	47.962	
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	47.962	
Total Capital (The sum of Tier I Capital and Tier II Capital)	2.166.014	

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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 (Continued)

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

	Prior Period 31.12.2018	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 (-)	1.075	
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	2.164.939	
Total risk weighted amounts	16.782.105	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12,62	
Tier 1 Capital Adequacy Ratio (%)	12,62	
Capital Adequacy Ratio (%)	12,76	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (a+b+c)	1,88	
a)Capital conservation buffer requirement	1,88	
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 (%)	8,12	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	47.962	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	47.962	
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	-	

(*) Amounts in this column represents the amounts of items that are subject to transition provisions

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

Information on borrowing instruments to be included in equity calculation:

Issuer	Ziraat Katılım Bankası A.Ş.
Unique identifier (ex CUSIP, ISIN)	-
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	Consolidated/Unconsolidated
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”	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 CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

(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 on 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	Consolidated/Unconsolidated
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 479 Million
Par value of instrument	TL 479 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	24.04.2019
Perpetual or dated	Undated
Original value 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 consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	Article number 7

(*)Profit share for participation banks.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

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

I. EXPLANATIONS ON SHAREHOLDERS’ EQUITY (Continued)

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

The principal difference between the genel Equity arı amount in the statement of shareholders' equity and the "Shareholders' Equity" in the consolidated balance sheet is related to the general provisions. Up to 1.25% of the provision for first and second phase loss provisions is taken into account as Contribution Capital in the calculation of the 'Equity kism amount in the statement of shareholders' equity. On the other hand, the net book values of assets held for more than five years from operating property development costs, intangible assets and receivables acquired under tangible fixed assets in the balance sheet and some other accounts determined by the Board are taken into account in the calculation of faaliyet Equities from Capital inde in the calculation of ve Equity duran amount.

	Current Period	Prior Priod
Equity value of balance sheet	2.984.169	2.218.584
Cost of development of operating lease	(19.198)	(18.408)
Goodwill and other intangible assets and related deferred tax liability	(106.503)	(80.396)
Debt instruments and premiums approved by BRSA	300.000	-
Tier II Capital	37.453	47.962
Defined-benefit pension fund net assets	-	(1.728)
Debt instruments and premiums approved by BRSA –subordinated loans	478.867	-
Other values deducted from equity	(955)	(1.075)
Amount taken into consideration in the calculation of legal equity	3.673.833	2.164.939

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT
(Continued)****II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK**

- a) Whether the Parent 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

Whether the Board of Directors has set limits for the positions monitored daily:

The Parent Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Parent 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) Management policy for foreign currency risk:

"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 Parent 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.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
27.09.2019	5,6401	6,1729	3,7998	0,8228	0,5731	5,6748	4,2190	0,6187	6,9302	1,4923	5,1620
26.09.2019	5,6551	6,5423	3,8031	0,8245	0,5769	5,6853	4,2222	0,6201	6,9615	1,4963	5,1990
25.09.2019	5,6671	6,2081	3,8078	0,8278	0,5789	5,7180	4,2260	0,6232	7,0006	1,4995	5,2080
24.09.2019	5,6820	6,2460	3,8399	0,8327	0,5835	5,7389	4,2413	0,6278	7,0741	1,5034	5,2360
23.09.2019	5,7115	6,2767	3,8484	0,8367	0,5834	5,7582	4,2579	0,6263	7,0834	1,5110	5,2660

- e) Simple arithmetic average of the Parent 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
5,6925	6,2671	3,8571	0,8357	0,5833	5,7372	4,2554	0,6283	7,0215	1,5062	5,2400

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

II. EXPLANATIONS ON THE CONSOLIDATED CURRENCY RISK (Continued)

Information on the foreign currency risk of the Group:

	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	777.708	932.714	221.533	1.931.955
Banks	258.532	157.824	507.444	923.800
Financial assets at fair value through profit and loss	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	308.131	-	-	308.131
Loans ^(*)	5.754.192	4.599.208	-	10.353.400
Subsidiaries, associates, entities under common control (joint ventures)	-	-	-	-
Financial assets measured at amortized cost	499.348	-	-	499.348
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	1.989	1.165	75	3.229
Total assets^(***)	7.599.900	5.690.911	729.052	14.019.863
Liabilities				
Current account and funds collected from Banks via participation accounts	18	370	-	388
Current and profit sharing accounts FC	4.093.154	5.325.226	723.025	10.141.405
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	2.041.081	1.221.916	-	3.262.997
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities ^(****)	539.142	35.245	1.342	575.729
Total liabilities^(***)	6.673.395	6.582.757	724.367	13.980.519
Net balance sheet position	926.505	(891.846)	4.685	39.344
Net off-balance sheet position ^(**)	(908.571)	934.074	-	25.503
Financial derivative assets	-	934.074	-	934.074
Financial derivative liabilities	908.571	-	-	908.571
Non-cash loans	3.109.908	2.740.083	70.663	5.920.654
Prior Period				
Total assets	5.295.738	3.279.270	413.962	8.988.970
Total liabilities	4.038.391	4.474.023	406.829	8.919.243
Net balance sheet position	1.224.053	(1.200.055)	7.133	31.131
Net off-balance sheet position	(1.232.487)	1.242.597	-	10.110
Financial derivative assets	-	1.242.597	-	1.242.597
Financial derivative liabilities	(1.232.487)	-	-	(1.232.487)
Non-cash loans	3.145.078	2.996.581	71.542	6.213.201

(*) TL 199.098 equivalent of USD loans, and TL 535.105 equivalent of EUR loans and financial leasings are originated as foreign currency indexed loans.

(**) Indicates the net balance of receivables and payables on derivative financial instruments.

(***) "In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position / Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Expense Accruals of 29.262 TL..

(****) Of the foreign currencies presented in the other foreign currency column of assets 93% is Gold, 3% is GBP, 1% is CHF and remaining 3% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 94% is Gold, 3% is GBP, 1% is CHF and the remaining 2% is other foreign currencies.

(*****) Provisions, liabilities from leases and subordinate loan included.

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT
(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 11.238 all of which are 100% risk weighted (31 December 2018: TL 7.897).

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

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

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

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

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

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

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

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

1) Liquidity Risk:

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

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

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

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

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

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

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

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

2) Liquidity Coverage Ratio:

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

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

The Parent Bank's principal funding source consists of participation funds. Apart from participation funds, repurchase agreement transactions provided by funds and debts from financial institutions take a part within the external participation fund debt items.

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

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

2) Liquidity Coverage Ratio (Continued):

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

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	4.411.923	3.011.094	4.411.923	3.011.094
High quality liquid assets	-	-	4.411.923	3.011.094
CASH OUTFLOWS	25.593.458	11.978.815	6.389.094	3.144.974
Real person deposits and retail deposits	10.352.868	5.651.020	951.538	565.102
Stable deposit	1.674.966	-	83.748	-
Deposit with low stability	8.677.902	5.651.020	867.790	565.102
Unsecured debts except real person deposits and retail deposits	7.195.146	2.964.554	4.003.566	1.417.497
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.195.146	2.964.554	4.003.566	1.417.497
Secured debts	-	-	-	-
Other cash outflows	8.045.444	3.363.241	1.433.990	1.162.375
Derivative liabilities and margin obligations	942.354	911.041	942.350	911.041
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	537.579	514.897	163.364	154.469
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.565.511	1.937.303	328.276	96.865
TOTAL CASH OUTFLOW	-	-	6.389.094	3.144.974
CASH INFLOWS	5.928.557	3.154.556	4.960.075	2.847.938
Secured receivables	-	-	-	-
Unsecured claims	4.977.459	2.221.774	4.008.977	1.915.156
Other cash inflows	951.098	932.782	951.098	932.782
TOTAL CASH INFLOWS	5.928.557	3.154.556	4.960.075	2.847.938
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	4.411.923	3.011.094
TOTAL NET CASH OUTFLOWS	-	-	1.597.274	786.244
LIQUIDITY COVERAGE RATIO (%)	-	-	276	383

^(*) 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
(Continued)****IV. EXPLANATIONS RELATED TO CONSOLIDATED LIQUIDITY RISK MANAGEMENT
AND LIQUIDITY COVERAGE RATIO (Continued)****2) 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	2.811.586	1.600.247	2.811.586	1.600.247
High quality liquid assets	-	-	2.811.586	1.600.247
CASH OUTFLOWS	22.228.336	10.520.373	5.710.025	3.129.897
Real person deposits and retail deposits	7.500.634	3.492.136	684.961	349.214
Stable deposit	1.302.045	-	65.102	-
Deposit with low stability	6.198.589	3.492.136	619.859	349.214
Unsecured debts except real person deposits and retail deposits	7.055.132	3.537.075	3.904.431	1.904.188
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.055.132	3.537.075	3.904.431	1.904.188
Secured debts	-	-	-	-
Other cash outflows	7.672.570	3.491.162	1.120.633	876.495
Derivative liabilities and margin obligations	682.458	653.705	682.458	653.705
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	346.475	323.667	105.993	97.100
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.643.637	2.513.790	332.182	125.690
TOTAL CASH OUTFLOW	-	-	5.710.025	3.129.897
CASH INFLOWS	4.356.139	2.131.504	3.535.259	2.005.171
Secured receivables	-	-	-	-
Unsecured claims	3.667.131	1.458.629	2.846.250	1.332.297
Other cash inflows	689.008	672.874	689.008	672.874
TOTAL CASH INFLOWS	4.356.139	2.131.503	3.535.258	2.005.171
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.811.587	1.600.246
TOTAL NET CASH OUTFLOWS	-	-	2.174.767	1.124.726
LIQUIDITY COVERAGE RATIO (%)	-	-	129	142

^(*) 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 (Continued)

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (**)	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey(*)	252.537	1.907.541	-	-	-	-	-	2.160.078
Banks(*)	931.212	-	-	-	-	-	-	931.212
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	-	102	325.994	537.509	1.083.318	-	7.672	1.954.595
Loans Given	-	3.567.847	1.786.584	5.998.251	10.866.950	2.394.438	-	24.614.070
Financial Assets Measured at Amortised Cost	-	-	-	-	499.348	-	-	499.348
Other Assets(**)	-	-	-	-	-	-	637.312	637.312
Total Assets	1.183.749	5.475.490	2.112.578	6.535.760	12.449.616	2.394.438	644.984	30.796.615
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	394	-	-	-	-	-	-	394
Current and Participation Accounts	2.785.422	11.880.121	2.923.264	2.466.624	77.689	-	-	20.133.120
Funds Provided from Other Financial Instruments	-	225.588	365.658	2.367.946	602.217	85.678	-	3.647.087
Money Market Borrowings	-	24.505	-	-	-	-	-	24.505
Issued Marketable Securities	-	716.863	1.689.749	-	-	-	-	2.406.612
Other Liabilities(***)	-	-	-	-	789.437	-	3.795.460	4.584.897
Total Liabilities	2.785.816	12.847.077	4.978.671	4.834.570	1.469.343	85.678	3.795.460	30.796.615
Liquidity Gap	(1.602.067)	(7.371.587)	(2.866.093)	1.701.190	10.980.273	2.308.760	(3.150.476)	-

(*) Expected loss provisions are not included.

(**) Cash required for the continuation of banking activity, such as marketable securities, fixed assets, associates, subsidiaries, jointly controlled entities, fixed assets, prepaid expenses and net follow-up receivables, representing the share in the capital, other active accounts with no chance; other liabilities and other equity items such as liabilities that are not liabilities are shown in this column.

(***) Subordinated debt instruments is shown in this column.

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

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

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

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
Prior Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	357.861	1.649.452	-	-	-	-	-	2.007.313
Banks	787.671	-	-	-	-	-	-	787.671
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	669	5.592	144.649	1.148.555	-	4.897	1.304.362
Loans Given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425
Investments Held-to-Maturity	-	-	-	-	-	-	-	-
Other Assets (*)	-	-	-	-	-	-	350.032	350.032
Total Assets	1.145.532	4.162.058	1.482.584	4.985.591	8.662.267	1.395.842	354.929	22.188.803
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	5.918	20.247	20.051	-	-	-	-	46.216
Current and Participation Accounts	2.375.521	9.463.550	2.252.093	1.006.366	7.352	-	-	15.104.882
Funds Provided from Other Financial Instruments	-	1.160.235	1.485.067	574.655	141.917	-	-	3.361.874
Money Market Borrowings	-	864.414	-	-	-	-	-	864.414
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities(*)	-	-	-	-	-	-	2.811.417	2.811.417
Total Liabilities	2.381.439	11.508.446	3.757.211	1.581.021	149.269	-	2.811.417	22.188.803
Liquidity Gap	(1.235.907)	(7.346.388)	(2.274.627)	3.404.570	8.512.998	1.395.842	(2.456.488)	-

(*) Certain assets in the balance sheet that are necessary for the banking operations but cannot be readily convertible into cash in the near future, such as equity instruments, tangible assets, investments in associates and subsidiaries, stationary supplies, prepaid expenses and non-performing loans, other liabilities such as provisions which are not considered as payables and shareholders' equity are included under "undistributed".

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

V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 September 2019, leverage ratio of the Group calculated from the arithmetic average of the last three months is 7,8%.The leverage ratio is above the stated minimum ratio in accordance with the "Regulation on Measurement and Assessment of Leverage Ratios of Banks" (31 December 2018: 6,6%). 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)	30.004.311	21.113.586
(Assets deducted from main capital)	(131.442)	(99.706)
Total risk amount of the balance sheet assets	29.872.869	21.013.880
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	29.596	11.550
Potential credit risk amount of derivative financial instruments and credit derivatives	12.881	13.565
Total risk amount of derivative financial instruments and credit derivative	42.477	25.115
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	19.819	36.567
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	19.819	36.567
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	11.318.279	11.021.090
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	11.318.279	11.021.090
Equity and total risk		
Main capital	3.237.178	1.970.244
Total risk amount	41.253.444	32.096.652
Leverage ratio		
Leverage ratio	7,8	6,1

(*) 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. Our risk management strategy is based on the mission and vision of our bank and is aimed to respond to our customers' financial needs in the most appropriate way and to support their financial success. In this context, our business practices and our working model support prudent risk management practices.

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EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT (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 analyzes, where all risks are analyzed in detail, are reported to the Audit Committee.

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

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

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

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

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

Overview of Risk-weighted Assets

		Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
	Overview of RWA			
1	Credit risk (excluding counterparty credit risk)	20.975.395	15.955.856	1.678.032
2	Standardized approach	20.975.395	15.955.856	1.678.032
3	Internal rating-based approach	-	-	-
4	Counterparty credit risk	39.838	204.871	3.187
5	Standardized approach for counterparty credit risk	39.838	204.871	3.187
6	Internal model method	-	-	-
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	-	-	-
14	IRB Supervisory Formula Approach	-	-	-
15	SA/simplified supervisory formula approach	-	-	-
16	Market risk	144.738	129.986	11.579
17	Standardized approach	144.738	129.986	11.579
18	Internal model approaches	-	-	-
19	Operational Risk	1.004.413	491.392	80.353
20	Basic Indicator Approach	1.004.413	491.392	80.353
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)	22.164.384	16.782.105	1.773.151

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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
(Continued)**

VIII. EXPLANATIONS ON HEDGE TRANSACTIONS

It is essential to be bordered with limits compatible with risk profile of risk levels and risk toleration so as to prevent to considerably affect from the negativeness that can occur while the Parent Bank conducts its operations.

Risk limits are determined and approved by the Board of Directors by taking CEO, Audit Committee and Executives’ offers.

Risk limits are determined compatible with risk levels, operations, size of products and services and complexness of the Bank. Limits are reviewed regularly, adapted according to changes in market conditions, Bank strategy and risk appetite and monitored cyclically.

In addition, derivative transactions are made by the Parent Bank, TL and FC liquidity risks are limited due to the committed transactions.

4) Credit Risks under the IRB (based on internal ratings)

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 prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly, semi-annually and annually basis have not been presented since the Bank use the standard approach as of 30 September 2019 for the calculation of credit risks:

Qualitative information presented to the public disclosure regarding the IRBs

IRB – Credit risk amounts on the basis of Portfolio and Default Probability (“DP”)

IRB – The effect of the credit derivatives used as Credit Risk Reduction (“CRR”) on the Risk Weighted Amounts (“RWA”)

The conversion table of the RWA under the approach of IRB

IRB – Backtesting every Default Probability (“DP”) on every risk class

IRB (Directed loans and the stock investments under simple risk weighted approach)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

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

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS

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

The Parent Bank has operations in retail banking, corporate and entrepreneurial banking, specialized banking, investment banking and international banking areas.

Table for Segment Reporting:

Current Period 1 January – 30 September 2019	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	151.174	1.980.286	197.155	308.057	2.636.672
Profit Shares from Loans	151.174	1.980.286	-	-	2.131.460
Profit Shares from Banks	-	-	507	-	507
Profit Shares from Securities	-	-	158.541	-	158.541
Other Profit Shares	-	-	38.107	308.057	346.164
Profit Shares Expense	620.101	557.310	524.518	14.999	1.716.928
Profit Shares Expense on Participation Funds	620.101	557.310	5.296	-	1.182.707
Profit Shares Expense on Funds Borrowed	-	-	204.228	-	204.228
Profit Shares Expense on Money Market Transactions	-	-	10.591	-	10.591
Profit Shares Expense on Securities Issued	-	-	304.403	-	304.403
Other Profit Shares Expense	-	-	-	14.999	14.999
Net Profit Shares Income/Expense	(468.927)	1.422.976	(327.363)	293.058	919.744
Net Fees and Commission Income/Expense	8.748	86.507	-	(23.294)	71.961
Fees and Commissions Received	8.748	86.507	-	10.477	105.732
Fees and Commissions Paid	-	-	-	33.771	33.771
Dividend Income	-	-	2.857	-	2.857
Trading Income/Loss (Net)	-	-	52.518	-	52.518
Other Operating Income	-	313	-	149.893	150.206
Expected credit losses	29.289	322.414	-	39.747	391.450
Other provision expenses	-	-	-	19.637	19.637
Personnel expenses	-	-	-	136.524	136.524
Other Operating Expense	-	-	-	168.376	168.376
Net Operational Profit/Loss	(489.468)	1.187.382	(271.988)	55.373	481.299
Profit / Loss from Subsidiaries Applied to Equity Method	-	-	-	14.930	14.930
Tax Provision	-	-	-	(117.089)	(117.089)
Net Profit/Loss	(489.468)	1.187.382	(271.988)	(46.786)	379.140
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions (*)	-	-	931.212	-	931.212
Financial Assets Available for Sale (Net)	-	-	1.954.595	-	1.954.595
Loans	1.804.212	19.360.655	3.449.203	-	24.614.070
Held to Maturity Investments (Net)	-	-	499.348	-	499.348
Derivative Financial Assets	-	-	29.583	-	29.583
Associates, Subsidiaries and Joint Ventures	-	-	39.703	-	39.703
Other Assets(*)	-	-	-	2.728.104	2.728.104
Total Segment Assets	1.804.212	19.360.655	6.903.644	2.728.104	30.796.615
SEGMENT LIABILITIES					
Funds Collected	11.121.727	9.011.787	-	-	20.133.514
Derivative Financial Liabilities	-	-	-	-	-
Funds Borrowed	-	-	3.647.087	-	3.647.087
Money Market Funds	-	-	24.505	-	24.505
Securities Issued (Net)	-	-	2.406.612	-	2.406.612
Provisions	-	-	-	145.045	145.045
Other Liabilities	-	-	-	1.455.683	1.455.683
Shareholders' Equity	-	-	-	2.984.169	2.984.169
Total Segment Liabilities	11.121.727	9.011.787	6.078.204	4.584.897	30.796.615

(*) Expected loss provisions are not included.

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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 (Continued)

IX. EXPLANATIONS ON CONSOLIDATED OPERATING SEGMENTS (Continued)

Table for Segment Reporting (Continued):

Prior Period 1 January – 30 September 2018	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	139.301	1.082.387	100.420	44.446	1.366.554
Profit Shares from Loans	139.301	1.082.387	-	-	1.221.688
Profit Shares from Banks	-	-	-	-	-
Profit Shares from Securities	-	-	75.268	-	75.268
Other Profit Shares	-	-	25.152	44.446	69.598
Profit Shares Expense	353.761	340.433	145.730	6	839.930
Profit Shares Expense on Participation Funds	353.761	340.433	4.319	-	698.513
Profit Shares Expense on Funds Borrowed	-	-	122.129	-	122.129
Profit Shares Expense on Money Market Transactions	-	-	19.282	-	19.282
Profit Shares Expense on Securities Issued	-	-	-	-	-
Other Profit Shares Expense	-	-	-	6	6
Net Profit Shares Income/Expense	(214.460)	741.954	(45.310)	44.440	526.624
Net Fees and Commission Income/Expense	6.798	41.730	-	(9.886)	38.642
Fees and Commissions Received	6.798	41.730	-	5.669	54.197
Fees and Commissions Paid	-	-	-	15.555	15.555
Personnel expenses	-	-	-	89.631	89.631
Dividend Income	-	-	177	-	177
Commercial Profit / Loss (Net)	-	-	32.079	-	32.079
Other operating income	-	-	-	54.814	54.814
Expected Loss Provisions	12.295	105.495	-	19.092	136.882
Other Operating Expenses	-	188	-	121.885	122.073
Net Operating Profit / Loss	(219.957)	678.001	(13.054)	(141.240)	303.750
Tax Provision	-	-	-	(61.705)	(61.705)
Net Income / Loss	(219.957)	678.001	(13.054)	(202.945)	242.045
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions	-	-	787.671	-	787.671
Financial Assets Available for Sale (Net)	-	-	1.304.362	-	1.304.362
Loans	1.614.565	14.124.399	2.000.461	-	17.739.425
Held to Maturity Investments (Net)	-	-	-	-	-
Derivative Financial Assets	-	-	56	-	56
Associates, Subsidiaries and Joint Ventures	-	-	-	-	-
Other Assets	-	-	-	2.357.189	2.357.189
Total Segment Assets	1.614.565	14.124.399	4.092.450	2.357.189	22.188.703
SEGMENT LIABILITIES					
Funds Collected	10.471.740	4.679.243	-	-	15.150.983
Derivative Financial Liabilities	-	-	6.145	-	6.145
Funds Borrowed	-	-	1.986.777	-	1.986.777
Money Market Funds	-	-	864.414	-	864.414
Securities Issued (Net)	-	-	1.375.097	-	1.375.097
Provisions	-	-	-	131.964	131.964
Other Liabilities	-	-	-	454.739	454.739
Shareholders' Equity	-	-	-	2.218.584	2.218.584
TOTAL SEGMENT LIABILITIES	10.471.740	4.679.243	4.232.433	2.805.287	22.188.703

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	24.331	35.651	22.196	30.965
Central Bank of the Republic of Turkey	203.605	1.894.995	311.614	1.642.538
Other	225	1.309	-	-
Total	228.161	1.931.955	333.810	1.673.503

1.a.1) Information on required reserves:

Banks that are established in Turkey or performing their operations by opening new branches in Turkey are subject to Communiqué on Required Reserves of Central Bank of the Republic of Turkey's numbered 2013/15. Based on accounting standards and registration layout for banks and companies, the items specified within the Communiqué, except from liabilities to Central Bank, Treasury, Domestic banks, and head offices and branches in Turkey of the banks established by international agreements, constitute required reserves liabilities.

As of the balance sheet date, according to CBRT's Communiqué about Required Reserves No. 2016/4, the required reserves ratios for commercial banks operating in Turkey are as follows: for demand deposits, notice deposits and for deposits up to 1-month maturity, and for deposits up to 3-months maturity 7%; for deposits up to 6-months maturity 4%; for deposits up to 1-year maturity 2%; for deposits 1-year and longer maturity 1%; for TL liabilities other than deposits up to 1-year maturity 7%; for TL liabilities other than deposits between 1- and 3-years maturity 3,5%; for TL liabilities other than deposits more than 3-years maturity 1%; according to CBRT's Communiqué about Required Reserves No. 2016/10 for FC deposit accounts, demand deposits, up to 1-month, up to 3-months, up to 6-months and up to 1-year maturity 17%; for FC deposit accounts with 1-year and longer maturity 13%, for FC liabilities other than deposits up to 1-year maturity 21%; for FC liabilities other than deposits up to 2-years maturity 16%; for FC liabilities other than deposits up to 3-years maturity 11%; for FC liabilities other than deposits up to 5-years maturity 7%; and for FC liabilities other than deposits more than 5-years maturity 4%.

It was decided that reserve requirements should be used more flexibly and effectively as a macro prudential tool to support financial stability. Accordingly, the required reserve ratio and interest payments which paid to required reserves were changed. The amendments to be enacted and the Turkish lira required reserve ratios and the interest and interest rate which to be paid to the required reserves in TL are associated with the annual growth rates of the Turkish Lira denominated cash equivalents and the foreign currency indexed loans of the banks. Accordingly, TL required reserve ratios for banks with loan growth between 10 percent and 20 percent (reference values) will be applied 2% for all maturity segments, except the deposits / participation funds with maturities longer than 1 year and 1 year (excluding foreign banks deposits / participation funds) and maturities of more than 3 years other liabilities (including foreign banks' deposits / participation funds). There is no change in the required reserve ratios for other banks.

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	191.015	6	299.510	5.190
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves (*)	12.590	1.894.989	12.104	1.637.348
Total	203.605	1.894.995	311.614	1.642.538

(*) TL 119.443 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2018: TL 731.486).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

2. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	7.566	280.465	4.935	620.370
Foreign Banks	-	643.335	-	162.366
Foreign Head Office and Branches	-	-	-	-
Total	7.566	923.800	4.935	782.736

3. a) Explanation financial assets at fair value through profit/loss subject to repurchase agreements and provided as collateral/blocked:

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	23.668	834.371
Assets Blocked/Given as Collateral	20.739	79.527
Total (*)	44.407	913.898

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

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

	Current Period	Prior Period
Debt Securities	1.958.074	1.335.443
Quoted in Stock Exchange	1.648.340	1.211.803
Not Quoted in Stock Exchange	309.734	123.640
Share Certificates	7.672	4.897
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange (*)	7.672	4.897
Provision for Impairment (-)	11.151	35.978
Total	1.954.595	1.304.362

(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 7.672.

4. Expected credit losses:

As of 30 September 2019, expected credit loss amounting to TL 192 (Stage I) has been calculated for banks.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

5. Information on derivative financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	321	29.262	13	43
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	321	29.262	13	43

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	2.227.695	-	1.973.285	-
Corporate Shareholders	2.227.695	-	1.973.285	-
Real Person Shareholders	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	2.374	-	2.513	-
Total (*)	2.230.069	-	1.975.798	-

(*) Include rediscount amounts.

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

		Loans Under Close Monitoring		
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled	
Cash Loans	Standard Loans and Other Receivables		Loans with revised contract terms	Refinancing
Loans				
Export Loans	1.497.312	15.334	-	-
Import Loans	85.789	3.075	-	-
Commercial Loans	11.709.461	420.279	712.648	-
Consumer Loans	1.782.714	10.607	1.482	-
Credit Cards	-	-	-	-
Loans Given to Financial Sector	3.449.201	-	-	-
Other	839.519	65.936	-	-
Other Receivables	-	-	-	-
Profit Share Income Accruals	434.083	56.237	34.008	-
Total	19.798.079	571.468	748.138	-

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

6. Information related to loans (continued)

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

General Provision	Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses	47.402	-
Significant Increase in Credit Risk	-	48.624

No. of extensions	Standard Loans	Loans Under close monitoring
1 or 2 Times Extended	-	748.138
3 - 4 or 5 Times Extended	-	-
Over 5 Times Extended	-	-
Total	-	748.138

Extension Periods	Standard Loans	Loans Under close monitoring
0 - 6 Months	-	5.977
6 Months – 12 Months	-	8.165
1 - 2 Years	-	300.632
2 - 5 Years	-	332.072
5 Years and Over	-	101.292
Total	-	748.138

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	5.672	1.786.757	1.792.429
Real Estate Loans	1.904	1.622.246	1.624.150
Vehicle Loans	3.232	100.366	103.598
Consumer Loans	536	64.145	64.681
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	200	2.174	2.374
Housing Loans	-	-	-
Vehicle Loans	-	82	82
Consumer Loans	200	2.092	2.292
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 (*)	5.872	1.788.931	1.794.803

(*) Dividend rediscount amounting to TL 9.409 is not included in the table.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued):

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.966	1.598.554	1.603.520
Real Estate Loans	1.203	1.453.270	1.454.473
Vehicle Loans	1.665	86.199	87.864
Consumer Loans	2.098	59.085	61.183
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	230	2.269	2.499
Housing Loans	-	-	-
Vehicle Loans	-	102	102
Consumer Loans	230	2.167	2.397
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 (*)	5.196	1.600.823	1.606.019

(*) Profit share accrual amounting to TL 8.546 is not included in the table.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued):

d) Information on commercial installment loans and corporate credit cards:

Current Period	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	34.661	180.263	214.924
Business Loans	8.841	18.270	27.111
Vehicle Loans	25.820	161.993	187.813
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	25.316	25.316
Business Loans	-	-	-
Vehicle Loans	-	25.316	25.316
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	-	17.417	17.417
Business Loans	-	-	-
Vehicle Loans	-	17.417	17.417
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	34.661	222.996	257.657

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued):

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

Prior Period	Short-Term	Medium and Long-Term	Total
Commercial Installment Loans-TL	63.605	185.523	249.128
Business Loans	16.487	25.816	42.303
Vehicle Loans	47.118	159.707	206.825
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans- Indexed to FC	-	46.410	46.410
Business Loans	-	-	-
Vehicle Loans	-	46.410	46.410
Consumer Loans	-	-	-
Other	-	-	-
Commercial Installment Loans - FC	407	19.046	19.453
Business Loans	-	-	-
Vehicle Loans	407	19.046	19.453
Consumer Loans	-	-	-
Other	-	-	-
Corporate Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	64.012	250.979	314.991

e) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	20.429.130	16.388.393
Foreign Loans	164.227	30.160
Profit Share Income Accruals of Loans	524.328	585.277
Total(*)	21.117.685	17.003.830

(*) Non-performing loans are not included.

f) Loans Granted to Subsidiaries and Participations:

As of 30 September 2019, the Parent Bank has no loans granted to subsidiaries and participations (31 December 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued):

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

	Current Period	Prior Period
Loans and other receivables with limited collectability	67.255	70.765
Loans and other receivables with doubtful collectability	197.405	18.390
Uncollectible loans and other receivables	139.666	34.623
Total	404.326	123.778

h) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	1.041.489	943.294	10.684	10.397
1-5 year	2.925.484	2.228.067	551.183	471.225
More than 5 years	480.152	291.497	282.163	222.212
Total	4.447.125	3.462.858	844.030	703.834

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

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

As of 30 September 2019 the Parent Bank loans and other receivables included in non-performing receivables which are restructured or rescheduled is TL 30.041 (31 December 2018: None).

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

	Group III:	Group IV:	Group V:
	Loans and other receivables with limited collectability	Loans and other receivables with doubtful collectability	Uncollectible loans and other receivables
Ending balance of prior period	160.891	35.401	43.868
Additions in the current period (+) (*)	295.782	48.784	4.322
Transfers from other categories of non-performing loans (+)	-	332.299	149.336
Transfers to other categories of non-performing loans (-)	332.299	149.336	-
Collections in the current period (-)	21.092	18.930	15.147
Write offs (-)	-	-	-
Corporate and commercial loans	-	-	-
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	103.282	248.218	182.379
Expected credit loss (Stage 3) (-)	67.255	197.405	139.666
Net balance at the balance sheet	36.027	50.813	42.713

(*) Ziraat Finansal Kiralama A.Ş. effects from the merger.

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

As of 30 September 2019, The Parent Bank has no the amount of receivable from foreign currency non-performing loans (31 December 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. Information related to loans (Continued):

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	36.027	50.813	42.713
Loans to Real Persons and Legal Entities (Gross)	103.282	248.218	182.379
Specific Provisions (-)	67.255	197.405	139.666
Loans to Real Persons and Legal Entities (Net)	36.027	50.813	42.713
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	90.126	17.011	9.245
Loans to Real Persons and Legal Entities (Gross)	160.891	35.401	43.868
Specific Provisions (-)	70.765	18.390	34.623
Loans to Real Persons and Legal Entities (Net)	90.126	17.011	9.245
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

	Group III: Loans with limited collectability	Group IV: Loans with doubtful collectability	Group V: Uncollectible loans
Period End Balance			
Profit Share Accrual and Valuation Differences Provision	1.239	18.138	16.523
Provisions	525	10.471	12.002

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

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

l) Explanations on write-off policy:

The Parent 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Financial assets measured at amortized cost:

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

	Current Period	Prior Period
Debt Securities	499.348	-
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	499.348	-

b) Financial assets measured at amortised cost

	Current Period	Prior Period
Government Bonds	-	-
Treasury Bills	-	-
Other Government Securities (*)	499.348	-
Total	499.348	-

(*) 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.

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

As of 30 September 2019, government debt securities measured at amortized cost is TL 499.348 (31 December 2018: None).

	Current Period	Prior Period
Balances at Beginning of Period	-	-
Foreign Currency Differences on Monetary Assets	33.637	-
Purchases during the Period(*)	465.711	-
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	499.348	-

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

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

As of 30 September 2019, the amount of assets due to trading is TL 64.308 (31 December 2018: TL 4.259).

	Current Period	Prior Period
Beginning Balance (Net)	4.259	3.561
Changes During the Period (Net)	60.049	698
Amount of depreciation	-	-
Provision for Impairment	-	-
Period End Balance (Net)	64.308	4.259

As of 30 September 2019, the Bank has no discontinued operations (31 December 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Equity Investments

a) Information on associates (Net):

	Name	Address (City/Country)	Bank's share percentage – if different voting percentage (%)	Risk share percentage of other shareholders (%)
1	Ziraat Yatırım Menkul Değerler A.Ş.	İstanbul / TÜRKİYE	24	24

	Total Assets	Sharehold ers Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1 ^(*)	226.767	165.430	893	164	12.102	62.204	14.942	-	-

(*) Unaudited financial statements are used.

a.1) Information related to credit institutions or financial institutions which are not accounted for by the equity method:

None (31 December 2018: None).

a.2) Information on an intermediary entity accounted under equity method:

	Current Period	Prior Period
Balance at the beginning of the year	-	-
Movements during the year	-	-
Purchases (*)	46.778	-
Bonus Shares	-	-
Profit from Current Year Share	(7.050)	-
Transfers to Financial Assets at Fair Value Through Other Comprehensive Income	(25)	-
sales	-	-
Revaluation Increase	-	-
Provision for impairment (-)	-	-
Balance at the end of the year	39.703	-
Capital commitments	-	-
Share percentage at the end of the year (%)	-	-

(*) With the Board of Directors decision dated 21 February 2019 and numbered 6/1, the Parent Bank takes over Ziraat Finansal Kiralama A.Ş. As a result of the merger, Ziraat Finansal Kiralama A.Ş.'s 24% stake in Ziraat Yatırım Menkul Değerler A.Ş. transferred to the Parent Bank.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Equity Investments (Continued)

b) Information on subsidiaries (net):

b.1) Explanations on consolidated subsidiaries:

		Name	Adress (City/Country)	Bank's share percentage – if different voting percentage (%)
1	Ziraat Katılım Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100
2	ZKB Varlık Kiralama A.Ş.	İstanbul / TÜRKİYE	100	100

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/Loss	Prior period income/loss	Fair Value	Needed shareholders Equity
1 ^(*)	2.407.907	73	-	294.378	-	6	11	-	-
2 ^(*)	101	60	-	5.676	-	18	52	-	-

(*) Unaudited financial statements

b.2) Sectoral information on consolidated 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) Consolidated subsidiaries quoted on the stock exchange:

As of 30 September 2019, the Parent Bank does not have a listed subsidiary in the stock exchange (31 December 2018: None).

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

As of 30 September 2019, there are no entities under common control of the Parent Bank (31 December 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

10. Explanations on property and equipment:

	Immovables	Right of Use Immovables	Movable	Right of Use Movable	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:							
Cost	-	-	59.566	-	33.029	-	92.595
Accumulated Depreciation (-)	-	-	25.833	-	14.646	-	40.479
Net Book Value	-	-	33.733	-	18.383	-	52.116
Current Period End:							
Net Book Value at the Beginning of the Period	-	-	33.733	-	18.383	-	52.116
Change During the Period (Net)	-	92.784	(1.307)	10.454	814	-	102.745
Cost	-	107.672	7.675	13.498	6.304	-	135.149
Amortization (Net) (-)	-	14.888	8.982	3.044	5.490	-	32.404
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	107.672	67.241	13.498	39.333	-	227.744
Accumulated Depreciation at Period End (-)	-	14.888	34.815	3.044	20.136	-	72.883
Provision for Impairment	-	-	-	-	-	-	-
Closing Net Book Value	-	92.784	32.426	10.454	19.197	-	154.861

(*) Includes effects from the merger with Ziraat Finansal Kiralama A.Ş..

For the purposes of impairment losses that are recorded or reversed in the current period and which are significant for the whole of the consolidated financial statements, and whether each or some of them are not material for the whole of the financial statements, the amount of the decrease or decrease of the carrying value of the related asset groups and the events and conditions that cause them:

None.

a) Pledges, mortgages and other restrictions on the tangible fixed assets, amount of expenses incurred during construction for tangible fixed assets, commitments given for the purchase of tangible fixed assets:

None.

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	126.600	20.097	106.503	93.038	12.642	80.396
Total	126.600	20.097	106.503	93.038	12.642	80.396

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Information on the investment properties:

As of 30 September 2019, the Parent Bank has no investment properties (31 December 2018: None).

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

As of 30 September 2019, the Parent Bank has no assets related to tax (31 December 2018: None).

14. Information on deferred tax asset:

As at 30 September 2019, deferred tax liabilities of TL 26.414 (31 December 2018: TL 2.627) and deferred tax assets of TL 67.531 (31 December 2018: TL 52.497) have been offset and TL 41.116 deferred tax asset (31 December 2018: TL 49.870 deferred tax asset) is reflected in the financial statements.

15. Information on other assets:

As of 30 September 2019, other assets of the Parent Bank does not exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

II. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED LIABILITIES

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-TL	330.500	-	-	-	-	-	-	-	330.500
II. Real persons profit sharing accounts TL	-	733.200	3.861.010	38.351	-	54.810	178.695	-	4.866.066
III. Other current accounts-TL	575.148	-	-	-	-	-	-	-	575.148
Public sector	95.120	-	-	-	-	-	-	-	95.120
Commercial sector	456.217	-	-	-	-	-	-	-	456.217
Other institutions	21.480	-	-	-	-	-	-	-	21.480
Commercial and other institutions	2.325	-	-	-	-	-	-	-	2.325
Banks and participation banks	6	-	-	-	-	-	-	-	6
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	2	-	-	-	-	-	-	-	2
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	4	-	-	-	-	-	-	-	4
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	387.799	3.091.018	391.792	-	219.642	129.755	-	4.220.006
Public sector	-	72.780	170.199	40.612	-	89.431	108.503	-	481.525
Commercial sector	-	260.630	2.426.674	16.238	-	106.041	11.140	-	2.820.723
Other institutions	-	54.389	494.145	334.942	-	24.170	10.112	-	917.758
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
V. Real persons current accounts-FC	646.023	-	-	-	-	-	-	-	646.023
VI. Real persons profit sharing accounts-FC	-	438.431	3.319.473	68.816	-	63.962	732.118	-	4.622.800
VII. Other current accounts-FC	1.026.486	-	-	-	-	-	-	-	1.026.486
Commercial residents in Turkey	991.912	-	-	-	-	-	-	-	991.912
Commercial residents in Abroad	34.186	-	-	-	-	-	-	-	34.186
Banks and participation banks	388	-	-	-	-	-	-	-	388
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	388	-	-	-	-	-	-	-	388
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	83.938	1.724.392	9.930	-	211.398	1.139.381	-	3.169.039
Public sector	-	464	742	-	-	-	-	-	1.206
Commercial sector	-	83.474	1.711.317	9.886	-	211.398	1.139.381	-	3.155.456
Other institutions	-	-	12.290	44	-	-	-	-	12.334
Commercial and other institutions	-	-	43	-	-	-	-	-	43
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	207.659	-	448.252	7.251	-	4.973	9.311	-	677.446
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)	2.785.816	1.643.368	12.444.145	516.140	-	554.785	2.189.260	-	20.133.514

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. a) Information on funds collected (Continued):

a.1) Information on maturity structure of funds collected (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-TL	210.639	-	-	-	-	-	-	-	210.639
II Real persons profit sharing accounts TL	-	526.001	2.948.826	43.992	-	42.916	193.315	-	3.755.050
III Other current accounts-TL	516.931	-	-	-	-	-	-	-	516.931
Public sector	73.337	-	-	-	-	-	-	-	73.337
Commercial sector	418.653	-	-	-	-	-	-	-	418.653
Other institutions	24.611	-	-	-	-	-	-	-	24.611
Commercial and other institutions	320	-	-	-	-	-	-	-	320
Banks and participation banks	10	-	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	131.511	2.740.290	569.720	-	205.889	118.404	-	3.765.814
Public sector	-	2.668	495.707	421.827	-	61.901	-	-	982.103
Commercial sector	-	119.643	1.748.933	38.685	-	80.988	10.913	-	1.999.162
Other institutions	-	9.200	455.352	109.208	-	63.000	107.491	-	744.251
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation bank	-	-	40.298	-	-	-	-	-	40.298
V. Real persons current accounts-FC	347.441	-	-	-	-	-	-	-	347.441
VI. Real persons profit sharing accounts-FC	-	331.243	2.000.912	54.701	-	50.881	355.122	-	2.792.859
VII. Other current accounts-FC	1.183.202	-	-	-	-	-	-	-	1.183.202
Commercial residents in Turkey	1.168.785	-	-	-	-	-	-	-	1.168.785
Commercial residents in Abroad	8.509	-	-	-	-	-	-	-	8.509
Banks and participation banks	5.908	-	-	-	-	-	-	-	5.908
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	5.908	-	-	-	-	-	-	-	5.908
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	110.668	1.701.594	91.086	-	174.589	110.506	-	2.188.443
Public sector	-	674	12.007	-	-	-	-	-	12.681
Commercial sector	-	109.994	1.524.756	91.044	-	174.589	110.506	-	2.010.889
Other institutions	-	-	164.789	42	-	-	-	-	164.831
Commercial and other institutions	-	-	42	-	-	-	-	-	42
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	123.111	-	257.538	4.514	-	2.333	3.108	-	390.604
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)	2.381.324	1.099.423	9.649.160	764.013	-	476.608	780.455	-	15.150.983

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

a) Information on funds collected (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	4.741.810	2.956.961	6.379.917	4.505.214
TL accounts	3.086.194	2.123.545	2.110.369	1.842.492
FC accounts	1.655.616	833.416	4.269.548	2.662.722
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	756	520
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	384.090	1.692.674	1.391.745	1.594.136
From Foreign Banks, Institutions and Funds	-	1.570.323	-	375.993
Total	384.090	3.262.997	1.391.745	1.970.129

b) Information on maturity:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	24.405	364.526	1.391.745	1.368.797
Medium and Long-term	359.685	2.898.471	-	601.332
Total	384.090	3.262.997	1.391.745	1.970.129

c) Explanations related to the concentrations of the bank's major liabilities concentrations of the funder customer, concentrations segments or other criteria:

65% of liabilities of the Parent Bank consist of current and share profit account.

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	24.505	-	864.414	-
Financial Institutions	24.505	-	864.414	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	24.505	-	864.414	-

4. Information on securities issued:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	-	-	-	-
Asset based securities	2.406.612	-	1.375.097	-
Stocks	-	-	-	-
Total	2.406.612	-	1.375.097	-

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

None.

6. Information on derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Futures	-	-	-	6.145
Swap Operations	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Total	-	-	-	6.145

7. Information on Financial Lease Obligations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 Year	4.094	3.803	422	415
Between 1-5 Years	64.830	47.014	-	-
More than 5 Years	119.098	56.67	-	-
Total	188.022	107.488	422	415

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

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

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

8. Information on provisions:

a) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Leasing Obligations:

As of 30 September 2019, the foreign currency indexed decrease in foreign currency indexed loans and financial leasing receivables amount to TL 122 (31 December 2018: TL 202).

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

Specific provisions for unindemnified non-cash loans amount to TL 17.449 (31 December 2018: TL 15.888).

c) Information on other provisions:

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

The Parent Bank, based on the management decision and possible developments in the economy and markets, and in the past period in accordance with the precautionary principle has provided a total of TL 30.000 of total provision (31 December 2018: TL 30.000).

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

According to article 19 of Communiqué "Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans", other provisions amounting to TL 42.958 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2018: TL 48.204).

The Bank has provided specific provisions amounting to TL 17.449 (31 December 2018: TL 5.888) for non-cash loans that are not indemnified, amounting TL 20.418 (31 December 2018: TL 20.110) for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 6.303 (31 Decemebr 2018: TL 6.121) for other provisions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

8. Information on provisions (Continued):

d) Information on provisions for employee benefits:

d.1) Employment termination benefits and unused vacation rights

Under the Turkish Labor Law, the Parent Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 30 September 2019, the amount payable consists of one month's salary limited to a maximum of TL 6.380 (full TL) (31 December 2018: TL 5.434 (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 (%)	16,30%	12,10%

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

	Current Period	Prior Period
As of January 1	5.056	2.330
Current service cost	2.302	1.285
Profit share cost	-	276
Paid compensations	-	(112)
Loss / (Earnings) resulting from Reduction / Dismissal of Payments / Benefits	-	24
Actuarial loss / (earnings)	-	1.253
End of Period	7.358	5.056

As of 30 September 2019, the Bank has a TL 5.558 short term provision for employee benefits (31 December 2018: TL 3.584).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial interest 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 December 2018, 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

Bank has made a total provision amounting to TL 15.000 to be allocated to the personnel.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

9. Explanations on tax liability:

a) Information on tax provisions:

As of 30 September 2019, the Group's corporate tax payable is TL 57.940 (31 December 2018: TL 25.589).

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	57.940	25.589
Taxation on Income From Securities	21.201	10.438
Property Tax	248	177
Banking Insurance Transactions Tax (BITT)	12.781	10.467
Foreign Exchange Transactions Tax	320	-
Value Added Tax Payable	3.433	5.521
Other	2.042	1.593
Total	97.965	53.785

c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums – Employee	9	1
Social Security Premiums – Employer	14	1
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	84	62
Unemployment Insurance – Employer	167	125
Other	-	-
Total	274	189

10. Information on deferred tax liabilities, if any:

As at 30 September 2019, deferred tax liabilities of TL 26.414 (31 December 2018: TL 2.627) and TL 41.130 deferred tax asset (31 December 2018: TL 49.870 deferred tax asset) is reflected in the financial statements.

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

The Group does not have any payables for assets held for sale and discontinued operations (31 December 2018: None).

12. Explanations on subordinated debts:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Domestic Banks	300.130	-	-	-
Domestic Other Organizations	-	489.307	-	-
From Foreign Banks	-	-	-	-
Overseas Other Organizations	-	-	-	-
Total	300.130	489.307	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

12. Explanations on subordinated debts(Continued)

	Current Period		Prior Period	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:				
Subordinated Loans	-	489.307	-	-
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:				
Subordinated Loans (*)	300.000	-	-	-
Equity-like Debt Instruments	-	-	-	-
Total	300.000	489.307	-	-

- (*) The contribution amounting to TL 300.000 is T.C. Ziraat Bank A.Ş. has been signed on March 28, 2019 and this loan has been entered into the Bank's accounts as of 29 March 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no conversion option.

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.

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 commitment for the last financial year and the end of the following interim period (31 December 2018: None).

f) Indicators of the Group'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 Group has no any uncertainty related to profitability and liquidity in the prior period (31 December 2018 : None).

g) Information on preferred shares:

As of 30 September 2019, the Group has no preferred shares (31 December 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

14. Information on shareholders' equity (Continued):

h) Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income:

	Current Period		Prior Period	
	TL	FC		
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
From Financial Assets at Fair Value Through Other Comprehensive Income	8.756	(754)	(14.901)	(11)
Revaluation Difference	11.875	(754)	(18.955)	(11)
Deferred Tax Effect	(3.119)	-	4.054	-
Foreign Exchange Difference	-	-	-	-
Total	8.756	(754)	(14.901)	(11)

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

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	145.273	88.064
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	146.550	102.994
Loan Granting Commitments	10.748	6.925
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	133.470	160.832
Total	436.041	358.815

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

A provision of TL 17.449 has been provided for probable losses arising from the off-balance sheet items and all of them are in Stage 3 (31 December 2018: TL 5.888).

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

	Current Period	Prior Period
Guarantee Letters	9.070.973	8.640.366
Letter of Credits	11.448	3.591
Bank Acceptances	717.682	616.808
Other Contingencies	802.910	1.022.677
Total	10.603.013	10.283.442

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

	Current Period	Prior Period
Letters of Temporary Guarantees	547.357	411.354
Letters of Certain Guarantees	4.488.289	3.893.325
Letters of Advance Guarantees	664.465	1.018.357
Letters of Guarantees given to Customs Offices	69.208	73.926
Other Letters of Guarantees	3.301.654	3.243.404
Total	9.070.973	8.640.366

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

1. Information on off-balance sheet liabilities (Continued):

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

b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	3.337.286	3.243.412
With Original Maturity of One Year or Less	107.995	1.727.495
With Original Maturity of More than One Year	3.229.291	1.515.917
Other Non-Cash Loans	7.265.727	7.040.030
Total	10.603.013	10.283.442

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

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

	Current Period		Prior Period	
Profit share on loans (*)	1.866.035	265.425	1.109.317	112.371
Short term loans	847.313	88.162	355.635	26.636
Medium and long term loans	989.444	177.263	751.474	85.735
Profit share on non-performing loans	29.278	-	2.208	-
Premiums received from resource utilization support fund	-	-	-	-

(*) Includes fees and commissions income on cash loans

b) Information on profit share received from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
T. C. Central Bank	-	-	-	-
From Domestic Banks	462	45	-	-
From Foreign Banks	-	-	-	-
Overseas Headquarters and Branches	-	-	-	-
Total	462	45	-	-

c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	FC	TL	FC
Financial Assets at Fair Value through Profit and Loss	9.708	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	142.988	5.845	75.083	185
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-	-	-
Total	152.696	5.845	75.083	185

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

None (30 September 2018: None).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	75.838	93.443	7.174	16.278
Central Bank of the Republic of Turkey	-	-	6.488	-
Domestic Banks	20.872	49.104	686	12.530
Foreign Banks	54.966	44.339	-	3.748
Head Office and Branches	-	-	-	-
Other Institutions	24.506	10.441	79.717	18.960
Total	100.344	103.884	86.891	35.238

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

None. (30 September 2018: None).

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

As of 30 September 2019, profit share expense paid to securities issued is TL 304.403 (30 September 2018:None).

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Prior Period	Participation Accounts					
Account Name	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	4.319	-	-	-	4.319
Real Person's Non Commercial Participation Accounts	28.848	215.118	2.862	2.372	9.424	258.624
Public Sector Participation Accounts	5.839	42.018	14.971	7.128	2.277	72.233
Commercial Sector Participation Accounts	15.578	171.614	12.154	4.223	1.368	204.937
Other Institutions Participation Accounts	1.175	42.071	4.386	12.815	556	61.003
Total	51.440	475.140	34.373	26.538	13.625	601.116
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	-	-	-	-	-
Real Person's Non Commercial Participation Accounts	3.524	34.487	1.054	970	5.830	45.865
Public Sector Participation Accounts	18	737	-	-	-	755
Commercial Sector Participation Accounts	1.629	38.443	1.238	3.245	1.430	45.985
Other Institutions Participation Accounts	-	2.532	-	-	-	2.532
Public Sector Participation Accounts	2.260	-	-	-	-	2.260
Total	7.431	76.199	2.292	4.215	7.260	97.397
Grand Total	58.871	551.339	36.665	30.753	20.885	698.513

3. Information on dividend income:

As of 30 September 2019, the Parent Bank's dividend income is TL 24.837 (30 September 2018: TL 177).

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

	Current Period	Prior Period
Income	6.088.951	8.351.171
Foreign exchange gains	6.003.950	8.272.905
Gain on derivative financial instruments	83.983	78.214
Gain on capital market transactions	1.018	52
xLosses (-)	6.036.433	8.319.092
Foreign exchange losses	6.024.336	8.263.770
Losses on derivative financial instruments	11.463	53.775
Losses on capital market transactions	634	1.547
Net	52.518	32.079

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	72.520	24.439
Total	72.520	24.439

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED 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 per the resolution of the Board of Directors dated 18 January 2019 and numbered 8210 with the decision of the Board of Directors dated 21 February 2019 and numbered 6/1 of the Banking Regulation and Supervision Board, the Bank and the Ziraat Finansal Kiralama A.Ş. (Transferred) in accordance with the relevant articles of the Turkish Commercial Code No. 6102; The merger was registered on 1 March 2019 by the Istanbul Trade Registry Office.

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

	Current Period	Prior Period
Expected Credit Loss	351.691	117.577
12 month expected credit loss (stage 1)	28.526	42.199
Significant increase in credit risk (stage 2)	44.257	42.668
Non-performing loans (stage 3)	278.908	32.710
Marketable Securities Impairment Expense	-	16
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	16
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other (*)	39.759	19.289
Total	391.450	136.882

(*) According to article 19 of Communiqué "Principles and Procedures for the Classification of the Loans and Reserves to be provided for These Loans", other amounting to TL 39.759 (30 September 2018 19.092 TL) is reserved to use for expected credit loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

7. Information on other operating expenses:

	Current Period
Reserve for Employee Termination Benefits	2.302
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	32.404
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	7.455
Impairment Expense for Equity Shares subject to the Equity Method	-
Impairment Expense for Investment Securities that will be Disposed	-
Impairment Expense for Investment Securities that will be Disposed	-
Impairment Expense for Property, Plant and Equipment Held for Sale and Discontinuing Operations	-
Other Operating Expenses	62.093
Lease Expenses Related to TFRS 16 Exemptions	126
Maintenance Expenses	11.919
Advertisement Expenses	15.759
Other Expenses	34.289
Loss on Sales of Assets	7.796
Other (*)	56.326
Total	168.376

(*) The balance which forms the other item part, TL 21.909 (30 September 2018: TL 14.777) represents Saving Deposit Insurance Fund ("SDIF") Premium amount and audit and consultancy fees and TL 27.447 (30 September 2018: TL12.006) represents taxes, fees and funds and other services expenses.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

7. Information on other operating expenses(Continued):

	Prior Period
Personnel expenses(*)	89.631
Reserve for Employee Termination Benefits	1.170
Bank Social Aid Provision Fund Deficit Provision	-
Tangible Fixed Assets Impairment Expense	-
Depreciation Expenses of Tangible Fixed Assets	11.468
Intangible Assets Impairment Expense	-
Goodwill Impairment Expense	-
Amortization Expenses of Intangible Assets	4.472
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	58.907
Operational Leasing Expenses	18.121
Maintenance Expenses	3.898
Advertisement Expenses	12.234
Other Expenses	24.654
Loss on Sales of Assets	-
Other (**)	46.056
Total	211.704

(*) Personnel Expenses which are not included in other operating expenses in the income statement as a separate item are also included in this table

(**) The prior balance which forms the other item part, TL 14.777 represents SDIF Premium amount and audit and consultancy fees and TL 12.006 represents taxes, fees and funds and other services expenses.

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

As of 30 September 2019, the Group 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	919.744	526.624
Net Fee and Commission Income	71.961	38.642
Dividend Income	2.857	177
Trading Profit / Loss (Net)	52.518	32.079
Other operating income	150.206	54.814
Expected Loss Provision (-)	391.450	136.669
Other Provision Expenses (-)	19.637	12.115
Personnel expenses	136.524	89.631
Other Operating Expenses (-)	168.376	110.170
Income/(Loss) from Continuing Operations	496.229	303.750

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

As of 30 September 2019, the Parent Bank's total tax provision expense amounting to TL 117.089 (30 September 2018: TL 61.705) consists of TL 116.805 (30 September 2018: TL 83.458) of current tax expense and TL 284 (30 September 2018: TL21.753) of deferred tax income.

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

The Parent Bank's net operating income after tax amounts to TL 379.140 (30 September 2018: TL 242.045 net profit).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

None (30 September 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Current Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		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	-	-	2.227.695	-	-	-
Profit share and commission income	-	-	18.526	-	-	-

Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		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	-	-	758.988	-	-	-
Balance at end of period	-	-	2.180.316	-	-	-
Profit share and commission income	-	-	21.680	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		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	-	-	52.737	42.411	-	-
Profit share expense	-	-	4.810	1.672	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		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
Loans	-	-	-	-	-	-
Balance at the beginning of period	557.814	101.459	-	-	-	-
Balance at the end of period	966.950	557.814	-	-	-	-
Profit share expense	299.799	13.303	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	2.401.773	1.264.078	-	-
Closing Balance	-	-	1.606.620	2.401.773	-	-
Total Profit/Loss	-	-	20.824	3.313	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3) Information on remunerations provided to top management:

The Bank has paid TL 4.460 (30 September 2018: TL 2.681) to top management.

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

None.

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

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

	Number	Number of Employees			
Domestic branches (*)	88	1.106			
Foreign representative offices	-	-	Country		
				Total Assets	Legal Equity
Foreign branches	-	-	-	-	-
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 2019, 8 new branch (31 December 2018: 17 Branches) has been opened in Turkey.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

SECTION SIX

EXPLANATIONS ON REVIEW REPORT

I. EXPLANATIONS ON THE REVIEW REPORT

As of 30 September 2019, consolidated financial statements and explanatory notes of the Bank disclosed herein were reviewed by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. (the Turkish member of KPMG International Cooperative, a Swiss entity) and Review Report dated 14 November 2019 is presented preceding the consolidated financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

SECTION SEVEN

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT

I. CHAIRMAN'S ASSESSMENT

Growth forecasts for the global economy are revised downwards. In view of the slowdown in the US economy, the FED cut a total of 50 basis points in the third quarter.

It is seen that recession concerns in the European economy forced ECB to act more proactively in the third quarter. The low level of leading indicators in Germany, the Brexit debates and the political developments in Spain and Italy continued to have an impact on the markets.

As well as Turkey in the third quarter, interest rate reductions were seen in emerging markets such as Russia, Indonesia, India.

Turkey's economy showed more positive performance than expected. The stable course of TL, weak domestic demand conditions and the base effect in the third quarter allowed inflation to decline significantly and single-digit figures were observed in inflation. This development allowed the Central Bank to cut the policy rate by 750 basis points. The Central Bank continued the interest rate cut by 250 basis points in October. While continuing contraction in the current account trade deficit of Turkey's economy has started to be more on an annual basis in the balance.

In the Participation Banking sector, we have determined the strategic priority to procure resources from both domestic and foreign markets with appropriate maturity and cost and to use these resources in the most efficient way. While asset size of participation banking sector increased by 24,3% in the third quarter, asset size of banking sector increased by 10,5% in the same period. When the profit figures are analyzed, the net profit of the participation banking sector decreased by 6,1% in the third quarter of 2019 compared to the same period of the previous year, while the net profit of the banking sector decreased by 12,5% in the same period. While the share of participation banking in the sector was 5.4% at the end of last year, it increased to 6% in the third quarter of this year.

In the third quarter of this year, Turkey's Ziraat Participation Bank carries the title of the first public participation bank become a partner with Yünsa A.Ş. percentage of 50 which is public company with an Musharaca method as a first time. Since its establishment during the period following a rapid branch expansion policy Agriculture Participation Bank, currently serves its customers in Turkey's 88 points. In the first stage, activities to open a branch in Sudan is proceeding in abroad. Ziraat Participation Bank, which wishes to continue its rapid growth policy in the upcoming period, aims to respond to the needs of its customers in the best way by developing new products. In addition, the Bank continues its main strategy of strate growing by increasing the share of participation banking in the financial sector. In this direction, while aiming to increase the number of customers in addition to the branch network, it has adopted the principle of working with efficiency and increasing its efficiency in the sector.

Hüseyin AYDIN
Chairman

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER

In the third quarter of 2019, the slowdown in terms of global markets became more pronounced. While economic data in the US and Germany indicated that recession risk became more evident, the FED and the ECB implemented interest rate cuts by implementing an expansionary monetary policy. In the light of all these developments, it has been observed that there are resource inflows to developing countries.

Turkey Economics, 2019 shrank 1.50% in the second quarter, but showed a performance above expectations. CBRT, which acts with a tightening monetary policy, cut interest rates by 750 basis points.

As of the third quarter of 2019, the banking sector increased its asset size by 9.5%, while the growth in Participation Banking was 15.8%. Participation banks' market share of 5.4% in 2018 increased to 5.7% at the end of the third quarter of 2019.

Ziraat Katılım Bankası A.Ş. continues stable growth

In the third quarter of 2019, total assets of Ziraat Participation increased by 39% to TL 30.8 billion compared to the end of 2018, while the funds collected increased by 33% to TL 20.1 billion compared to the same period. While the cash funds provided increased by 39% to TL 24.6 billion, the total amount of cash and non-cash financing provided by Ziraat Participation to the entire sector amounted to TL 35.2 billion.

Ziraat Participation Bank completed the third quarter of 2019 with a profit of TL 379.1 million as a result of the service concept that prioritizes customer satisfaction and the successful execution of a structured business cycle focused on efficiency.

Ziraat Participation Bank rapidly expanded its branch network and reached 88 branches in 42 provinces at the end of the third quarter of 2019 on Turkey opening by Nazilli – Aydın, Turgut Özal Bulvarı – Adana, Bolu ve Erenköy – İstanbul branches.

Our Lease Certificate Exports Reached TL 10.9 Billion in Total

Ziraat Participation Bank successfully completed 14 lease certificates in the third quarter of 2019.

While TL 5,7 billion of funding was provided from these issuances through Ziraat Yatırım Menkul Değerler, all of the lease certificate issuances received high demand from qualified investors.

Since 2015, Ziraat Participation which is the first state-owned participation bank in Turkey, has reached a total volume of TL 10.9 billion with 39 lease certificates issued to qualified investors.

We Actualized the Mobile Finance

By realizing the needs and expectations of our real and corporate customers in the best way, offering them the most appropriate solutions and value suggestions through the right channel, our Bank continues to increase its product range.

In order to increase the quality of the financial transaction process of our legal customers who already have an active limit in our Bank, the "Mobile Finance" option has been implemented in which the Bank can conduct financing transactions through the Participation Mobile Application. A digital management is provided in which our customers can apply for financing via Participation Mobile before they come to the branch, and finalize their transactions by providing efficiency in time and cost for document loading and approval processes.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER (Continued)

We Continue to Contribute to Production and Employment by Establishing Financial Partnerships

Our Bank continues to provide financing through the Financial Partnership within the framework of participation banking principles. In June, Hacı Ömer Sabancı Holding; Yünsa Yünlü Sanayi ve Ticaret A.Ş., which is among the 5 biggest woolen fabric manufacturers in the world, has started negotiations for the purchase of 57.88% of the shares with a financial partner that has achieved significant success in the woolen fabric trade. The legal procedures related to the transfer of shares were concluded successfully through a company established after the establishment of the Company. It has 200 thousand m² production facilities in Çerkezköy and has an annual production capacity of 12 million meters. Yünsa Woolen Industry and Trade, which is able to produce A + segment fabrics in men's clothing, women's clothing, upholstery and uniform product categories, is the largest woolen fabric producer in Europe with a single production facility covering the production process from yarn to final stage.

Our Bank which is continues to use its resources effectively to support investment and initiative, and will continue to finance profitable and sustainable investments through Project Finance and Financial Partnerships.

We Supported Enterprises with Emergency Support Loan

In cooperation with KOSGEB, our Bank signed the "Düzce and İstanbul Emergency Support Loan Protocol" in order to provide financial support to enterprises affected by flood, flood and landslide disasters that occurred on 17.08.2019 at the Eminönü tramway underpass and in front of the Spice Bazaar. Our Bank was with the tradesmen who needed urgent financing support. As Ziraat Katılım, our customers; will continue to operate in order to facilitate access to finance and make it available under favorable conditions.

We have started to collect funds with the Investment Proxy Contract

The Regulation on the Amendment to the Regulation on the Procedures and Principles of Deposits, Participation Funds, Deposits and Receivables for the Acceptance, Withdrawal and Expiration of the Deposit and Participation Fund published in the Official Gazette dated 18/10/2018 and numbered 30569, and the Investment Proxy Contract with the participation banks A new application has been opened for collection.

In this context, our Bank has started collecting funds for legal customers through the Investment Proxy Agreement as of 15.07.2019. Within the scope of the Communiqué on the Maturities and Types of Deposit and Participation Funds published in the Official Gazette No. 30809 dated 22/06/2019, participation accounts based on the Investment Proxy Contract can be opened in maturities less than 1 month and participation accounts can be opened in our bank under 1 month.

We are implementing Open Source Technologies

Within the scope of the "Nationalized in Technology" strategy of our Bank, migration studies to the open source operating system on the client computer are continuing, and a significant progress has been made in the study and pilot test studies have been started in the user groups of branches and headquarters. With this study, it is aimed to increase performance of client computers, decrease hardware costs and eliminate operating system software license costs very soon.

Imported software solutions such as platform for monitoring the accessibility of the services offered to customers 7x24, corporate portal application, secure file sharing, virtual server management application were replaced with open source technologies counterparts and significant savings in license costs were realized. While the open source products are being implemented, our R & D activities for information security are also ongoing.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
AS AT 30 SEPTEMBER 2019**

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

II. ASSESSMENT OF GENERAL MANAGER (Continued)

We are implementing Open Source Technologies (Continued)

With the implementation of open source software solutions in our Bank, it is thought that our Bank will be an important reference for public institutions and organizations. By sharing this important experience, it is aimed to contribute to the reduction of dependence on foreign countries and to take an important step towards innovative technologies. Together with the transition to open source systems, it is expected to be a significant gain in terms of security for the countries and institutions, and serious savings opportunities will be provided.

We Are investing in satisfied customer experience

In order to increase the performance of the Customer Contact Center, to improve operational processes and to measure customer experience, the Bank's Call Center Project enables the analysis of call center calls of our customers.

Project studies were initiated to analyze, report and take action on customer notifications with ‘Artificial Intelligence Assisted Text Analytics’.

In the Bank's non-branch channels; Communication Quality Project was initiated to control, control and conduct high quality standards of written and voicemail contents at each interaction point with the customer .

In the coming period, Ziraat Participation will continue to add value to the national economy by offering participation more as we share in to its customers with the mission of developing participation banking.

Metin ÖZDEMİR
General Manager

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

III. SHAREHOLDING STRUCTURE

Ziraat Katılım Bank’s paid in capital is TL 1.750.000.000 and this capital divided into 1.750.000.000 shares that each one of all worth 1,00 Turkish Lira. Chairman and members of Board of Directors, Members of the Board of Auditors, the General Manager and Assistant General Managers are not shareholders of the Bank.

Title	Share Amount (TL)	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. CHANGES IN THE ARTICLES OF ASSOCIATION

There is no change in the articles of association during the period.

V. MAIN FINANCIAL INDICATORS

In the Group assets, indicators take shares as follows; loans volume is TL 24.614.070 thousand with 80%, cash and cash equivalents is TL 3.091.290 thousand with 10%, marketable security is TL 2.483.526 thousand with 8% and other assets volume is TL 607.729 thousand with 2%.

ASSETS (THOUSAND TL)	30 September 2019	31 December 2018	Change (%)
Cash and Cash Equivalents	3.091.290	2.794.983	11
Securities	2.483.526	1.304.418	90
Loans	24.614.070	17.739.425	39
Other Assets	607.729	351.051	73
Total Assets	30.796.615	22.188.703	39

In the Group liabilities, indicators take shares as follows; deposit volume is TL 20.133.514 thousand with 65%, resources out of deposit volume is TL 6.078.204 thousand with 20%, shareholders equity volume is TL 2.984.169 thousand with 10% and other liabilities volume is TL 1.600.728 thousand with 5%.

LIABILITIES (THOUSAND TL)	30 September 2019	31 December 2018	Change (%)
Deposits	20.133.514	15.150.983	33
Resources Out of Deposit	6.078.204	4.232.433	44
Other Liabilities	1.600.728	586.703	173
Shareholders’ Equity	2.984.169	2.218.584	35
Total Liabilities	30.796.615	22.188.703	39

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

V. MAIN FINANCIAL INDICATORS (Continued)

Selected Profit And Loss Items (Thousand TL)	30 September 2019	30 September 2018
Dividend Income	2.636.672	1.366.554
Dividend Expense	1.716.928	839.930
Net Dividend Income/Expense	919.744	526.624
Net Fees and Commissions Income/Expense	71.961	38.642
Personnel Expense	150.206	54.814
Other Operating Income	168.376	110.170
Other Operating Expenses	391.450	136.669
Provision for Loan and Other Receivables	19.637	12.115
Personnel Expenses	136.524	89.631
Profit/Loss Before Tax	496.229	303.750
Tax Provision	(117.089)	(61.705)
Net Profit/Loss	379.140	242.045
RATIOS (%)	30 September 2019	31 December 2018
Capital Adequacy Ratio	16,6	12,7
Shareholders' Equity/Total Assets	9,7	9,9
Total Loans/Total Assets	79,9	79,9
Non-performing Loans (Gross) / Total Loans	2,1	1,4
Demand Deposit/Total Deposit	13,8	15,7
FC Assets/FC Liabilities	95,2	86,9
Liquid Assets/Total Assets	16,5	12,6

(*) Foreign exchange indexed loans are not included.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VI. INFORMATION ON CONSOLIDATED SUBSIDIARIES

Ziraat Katılım Varlık Kiralama A.Ş. ("The Company"), was established with the authorization of the Banking Regulation and Supervision Board and the Capital Markets Board with the capital of TL 50.000 paid out by Ziraat Katılım in accordance with the communique of Capital Markets Board ("CMB") dated 7 June 2013 and numbered 28760 (III-61.1) in order to issue rent certificates.

The headquarter of the Company is in Fatih/İSTANBUL.

The Company has no personnel as of 30 September 2019.

Nominal value amounting to TL 200.000.000, with ISIN code "TRDZKVK71912" and coupon payments amounting to TL 11.317.799,85 are completed on 25/03/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 11/01/2019. The maturity date of the certificate is 05/07/2019 and total maturiy is 102 days

Nominal value amounting to TL 300.000.000, with ISIN code " TRDZKVK71920" and coupon payments amounting to TL 17.921.909,57 are completed on 19/04/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 26/07/2019. The maturity date of the certificate is 26/07/2019 and total maturiy is 98 days.

Nominal value amounting to TL 500.000.000, with ISIN code "TRDZKVK81911" and coupon payments amounting to TL 30.541.099,56 are completed on 03/05/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 09/08/2019. The maturity date of the certificate is 09/08/2019 and total maturiy is 98 days.

Nominal value amounting to TL 400.000.000, with ISIN code "TRDZKVK81929" and coupon payments amounting to TL 24.723.279,52 are completed on 24/05/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 28/08/2019. The maturity date of the certificate is 28/08/2019 and total maturiy is 96 days.

Nominal value amounting to TL 450.000.000, with ISIN code "TRDZKVK91910" and coupon payments amounting to TL 28.091.114,19 are completed on 14/06/2019 of the lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş on 20/09/2019. The maturity date of the certificate is 20/09/2019 and total maturiy is 98 days.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 300.000.000, with a 98 day maturity, dated 11/10/2019 and with ISIN code "TRDZKVK1916", was issued on 12/06/2019 within the framework of the approval of the General Directorate of the Exchange dated 05/07/2019. Since 09/07/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 400.000.000, with a maturity of 98 days, dated 25/10/2019 and with ISIN code "TRDZKVK1924", were issued on 12/06/2019 within the framework of the approval of the General Directorate of the Exchange dated 26/07/2019. Since 30/07/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 650.000.000, with a maturity of 98 days, dated 15/11/2019 and with ISIN code "TRDZKVK1918", were issued on 12/06/2019 within the framework of the approval of the General Directorate of the Exchange dated 09/08/2019. Since 16/08/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 500.000.000, with a maturity of 100 days, dated 06/12/2019 and with ISIN code "TRDZKVK1910", were issued on 12/06/2019 within the framework of the approval of the General Directorate of the Exchange dated 28/08/2019. Since 02/09/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

The lease certificate issued by Ziraat Katılım Varlık Kiralama A.Ş with a nominal value of TL 500.000.000, with a maturity of 98 days, dated 27/12/2019 and with ISIN code "TRDZKVK1928", were issued on 12/06/2019 within the framework of the approval of the General Directorate of the Exchange dated 20/09/2019. Since 24/09/2019, the lease certificate has started to be traded only among qualified investors in the Outright Purchases and Sales Market.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VI. INFORMATION ON CONSOLIDATED SUBSIDIARIES (Continued)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVKE1916
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale
Nominal Amount of Issuance	TL 300.000.000
Nominal Amount Sold	TL 300.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	11/10/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	22,50% (annual simple), 24,41663% (annual compound), 6,04110% (rate of return)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVKE1924
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale
Nominal Amount of Issuance	TL 400.000.000
Nominal Amount Sold	TL 400.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	25/10/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	19,75% (annual simple), 21,26300% (annual compound), 4,92397% (rate of return)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVKK1918
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale
Nominal Amount of Issuance	TL 650.000.000
Nominal Amount Sold	TL 650.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	15/11/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	17,30% (annual simple), 18,42414% (annual compound), 4,64493% (rate of return)

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VI. INFORMATION ON CONSOLIDATED SUBSIDIARIES (Continued)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVKA1910
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale
Nominal Amount of Issuance	TL 500.000.000
Nominal Amount Sold	TL 500.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	06/12/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	16,75 % (annual simple), 17,79438% (annual compound), 4,58904% (rate of return)

Company Name	Ziraat Katılım Varlık Kiralama A.Ş.
ISIN Code of the Issued Capital Markets Instrument	TRDZKVKA1928
Type of the Issued Capital Markets Instrument	Lease Certificate
Form of Sale	Qualified Investor Sale
Nominal Amount of Issuance	TL 500.000.000
Nominal Amount Sold	TL 500.000.000
Nominal Amount Installed for Not Sold	-
Amount Sold by Allocation	Qualified Investor (100%)
Issuance Price	TL 1
Maturity of the Issued Capital Markets Instruments	27/12/2019
Amortization plan of the Issued Capital Markets Instrument	Payment of principal and return on maturity date
Return / profit share ratio of the Issued Capital Markets Instrument	14,40 % (annual simple), 15,17540% (annual compound), 3,86630% (rate of return)

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2019

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

EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

VI. INFORMATION ON CONSOLIDATED SUBSIDIARIES (Continued)

Ziraat Katılım Varlık Kiralama A.Ş. (“The Company”), was established with the authorization of the Banking Regulation and Supervision Board and the Capital Markets Board with the capital of TL 50.000 paid out by Ziraat Katılım in accordance with the communique of Capital Markets Board (“CMB”) dated 7 June 2013 and numbered 28760 (III-61.1) in order to issue rent certificates.

The headquarter of the Company is in Fatih/İSTANBUL.

The Company has no personnel as of 30 September 2019.