

*(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 Six-Month Period Ended  
30 June 2018**

**With Auditors' Review Report Thereon**

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

1 August 2018

*This report includes "Auditors' Review Report"  
comprising 2 pages and; "Consolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 103 pages.*



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## REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To the Board of Directors of Ziraat Katılım Bankası Anonim Şirketi

### *Introduction*

We have reviewed the consolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") and its financial subsidiaries (together the "Group") at 30 June 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the consolidated financial statements for the three-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial statements 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 consolidated financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and the objective of which is to express an opinion on the financial statements. Consequently, a review of the interim financial information does not provide assurance that the audit firm will be aware of all significant matters which would have been identified in an audit. Accordingly, we do not express an opinion.



### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information do not presented fairly, in all material respects, the consolidated financial position of Ziraat Katılım Bankası Anonim Şirketi and its financial subsidiaries at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the six-month period then ended in accordance with the BRSA Accounting and Financial Reporting Legislation.

### *Report on other regulatory requirements arising from legislation*

Based on our review, nothing has come to our attention that causes us to believe that the financial information provided in the accompanying interim activity report in Section Seven, is not consistent with the consolidated 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 Tıkmak, SMMM  
Partner

1 August 2018  
İstanbul, Turkey

### **Additional paragraph for convenience translation to English:**

The accounting principles summarized in Note I Section Three, differ from the accounting principles generally accepted in countries in which the accompanying consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated 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 consolidated financial statements and IFRS.

**THE CONSOLIDATED INTERIM FINANCIAL REVIEW REPORT OF  
ZİRAAT KATILIM BANKASI A.Ş. AS OF 30 JUNE 2018**

The Bank's Headquarter Address: Hobyar Eminönü Mahallesi  
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The consolidated financial report for six 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**

ZİRAAT KATILIM VARLIK KİRALAMA A.Ş.  
ZKB VARLIK KİRALAMA A.Ş.

The accompanying consolidated financial statements for six 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.

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Hüseyin AYDIN  
Chairman of the Board

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Metin OZDEMİR  
Member of the Board,  
CEO

---

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  
and Internal Operating

---

Gürkan ÇAKIR  
Head of Financial  
Coordination Department

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

Name-Surname/Position : Tuncay KAMIŞ / Financial Reporting Manager  
Telephone : 0 212 404 13 35  
Facsimile : 0 212 404 10 81

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# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 Participation 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 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.

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.

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 June 2018 and 31 December 2017, main shareholders and capital amounts as follows:

| Name of Shareholders                | 30 June 2018     |               | 31 December 2017 |               |
|-------------------------------------|------------------|---------------|------------------|---------------|
|                                     | Paid-in Capital  | %             | Paid-in Capital  | %             |
| T.C. Ziraat Bankası A.Ş. (*)        | 1.250.000        | 99,9999996    | 1.250.000        | 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     |
| <b>Total</b>                        | <b>1.250.000</b> | <b>100,00</b> | <b>1.250.000</b> | <b>100,00</b> |

(\*) 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 JUNE 2018

(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   |
|----------------------------------|---|
| <b>Board of Directors</b>        |   |
| Hüseyin AYDIN                    | Chairman  |
| Metin ÖZDEMİR                    | General Manager and Member of the BOD, Member of Pricing Committee, President of Credit Committee, Member of Corporate Management Committee |
| Yusuf DAĞCAN                     | Executive Vice President and Member of the BOD  |
| Cemalettin BAŞLI                 | Member of the BOD, Member of Credit Committee, Member of Audit Committee  |
| Feyzi ÇUTUR                      | Member of the BOD, Member of Credit Committee, Member of Audit Committee  |
| Salim ALKAN                      | Member of the BOD, President of Corporate Management Committee, Member of Pricing Committee, Substitute Member of Credit Committee          |
| <b>Assistant General Manager</b> |   |
| Mehmet Said GÜL                  | Information Technologies and Operating  |
| Osman KARAKÜTÜK                  | Treasury and Internal Operations  |
| Tahir DEMİRKIRAN                 | Loan Allocation and Management  |
| Temel Tayyar YEŞİL               | Marketing   |

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

#### IV. INFORMATION ABOUT THE PERSONS AND INSTITUTIONS THAT HAVE QUALIFIED SHARES ATTRIBUTABLE TO THE PARENT BANK

| Name / Trade Name                       | Share Amount<br>(Nominal) | Shareholding<br>Percentage | Paid<br>Shares   | Unpaid<br>Shares |
|---|---------------------------|----------------------------|------------------|------------------|
| T.C. Ziraat Bankası A.Ş. <sup>(*)</sup> | 1.250.000                 | 99,9999996                 | 1.250.000        | -                |
| 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                  | -                | -                |
| <b>Total</b>                            | <b>1.250.000</b>          | <b>100,00</b>              | <b>1.250.000</b> | <b>-</b>         |

(\*) 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**GENERAL INFORMATION ABOUT THE GROUP (Continued)**

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

Operation field of 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 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.

Parent Bank sorts out participation accounts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to six months (six months included), maturity to one year (one year included) and maturity to one year or more (with dividend payment of one month, 3 months, six months and annually).

Parent Bank can determine the rates of participating in profit and loss by operating participation accounts discretely as of currency type, amount and maturity groups but participation rate to loss cannot be less than 50% of participation rate to profit.

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.

As of 30 June 2018, the Parent Bank operates with its 72 branches (31 December 2017: 63 branches) and 937 (31 December 2017: 890) 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.

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

None.



## **SECTION TWO**

### **THE BANK'S 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 JUNE 2018

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

| I.           | CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)                                     | Note<br>(Section<br>Five I) | THOUSAND OF TURKISH LIRA       |                  |                   |
|--------------|--|-----------------------------|--------------------------------|------------------|-------------------|
|              |  |                             | Current Period<br>(30/06/2018) |                  |                   |
|              |  |                             | TL                             | FC               | Total             |
|              | <b>ASSETS</b>  |                             |                                |                  |                   |
| <b>I.</b>    | <b>FINANCIAL ASSETS (NET)</b>  |                             | <b>1.741.480</b>               | <b>1.906.073</b> | <b>3.647.553</b>  |
| <b>1.1</b>   | <b>Cash and Cash Equivalents</b>   |                             | <b>881.184</b>                 | <b>1.891.063</b> | <b>2.772.247</b>  |
| 1.1.1        | Cash and Balances with Central Bank  | (1)                         | 377.862                        | 1.565.490        | 1.943.352         |
| 1.1.2        | Banks  | (2)                         | 503.322                        | 325.573          | 828.895           |
| 1.1.3        | Money Markets  |                             | -                              | -                | -                 |
| <b>1.2</b>   | <b>Financial Assets at Fair Value Through Profit or Loss</b>                                     |                             | -                              | -                | -                 |
| 1.2.1        | Government Debt Securities   |                             | -                              | -                | -                 |
| 1.2.2        | Equity Instruments   |                             | -                              | -                | -                 |
| 1.2.3        | Other Financial Assets   |                             | -                              | -                | -                 |
| <b>1.3</b>   | <b>Financial Assets at Fair Value Through Other Comprehensive Income</b>                         | (3)                         | <b>860.912</b>                 | <b>9.234</b>     | <b>870.146</b>    |
| 1.3.1        | Government Debt Securities   |                             | -                              | -                | -                 |
| 1.3.2        | Equity Instruments   |                             | 4.897                          | -                | 4.897             |
| 1.3.3        | Other Financial Assets   |                             | 856.015                        | 9.234            | 865.249           |
| <b>1.4</b>   | <b>Financial Assets Measured at Amortised Cost</b>   | (4)                         | -                              | -                | -                 |
| 1.4.1        | Government Debt Securities   |                             | -                              | -                | -                 |
| 1.4.2        | Other Financial Assets   |                             | -                              | -                | -                 |
| <b>1.5</b>   | <b>Derivative Financial Assets</b>   | (5)                         | <b>42</b>                      | <b>5.776</b>     | <b>5.818</b>      |
| 1.5.1        | Derivative Financial Assets at Fair Value Through Profit or Loss                                 |                             | 42                             | 5.776            | 5.818             |
| 1.5.2        | Derivative Financial Assets at Fair Value Through Other Comprehensive Income                     |                             | -                              | -                | -                 |
| <b>1.6</b>   | <b>Non-Performing Financial Assets</b>   |                             | -                              | -                | -                 |
| <b>1.7</b>   | <b>Expected Loss Provision (-)</b>   | (6)                         | <b>658</b>                     | -                | <b>658</b>        |
| <b>II.</b>   | <b>LOANS (NET)</b>   | (7)                         | <b>11.624.645</b>              | <b>3.016.786</b> | <b>14.641.431</b> |
| <b>2.1</b>   | <b>Loans</b>   |                             | <b>11.156.695</b>              | <b>2.940.431</b> | <b>14.097.126</b> |
| 2.1.1        | Measured at Amortised Cost   |                             | 11.156.695                     | 2.940.431        | 14.097.126        |
| 2.1.2        | Fair Value Through Profit or Loss  |                             | -                              | -                | -                 |
| 2.1.3        | Fair Value Through Other Comprehensive Income  |                             | -                              | -                | -                 |
| <b>2.2</b>   | <b>Lease Receivables</b>   |                             | <b>495.184</b>                 | <b>76.355</b>    | <b>571.539</b>    |
| 2.2.1        | Financial Lease Receivables  |                             | 613.625                        | 76.369           | 689.994           |
| 2.2.2        | Operating Lease Receivables  |                             | -                              | -                | -                 |
| 2.2.3        | Unearned Income (-)  |                             | 118.441                        | 14               | 118.455           |
| <b>2.3</b>   | <b>Factoring Receivables</b>   |                             | -                              | -                | -                 |
| 2.3.1        | Measured at Amortised Cost   |                             | -                              | -                | -                 |
| 2.3.2        | Fair Value Through Profit or Loss  |                             | -                              | -                | -                 |
| 2.3.3        | Fair Value Through Other Comprehensive Income  |                             | -                              | -                | -                 |
| <b>2.4</b>   | <b>Non-Performing Loans</b>  |                             | <b>47.291</b>                  | -                | <b>47.291</b>     |
| <b>2.5</b>   | <b>Expected Credit Loss (-)</b>  |                             | <b>74.525</b>                  | -                | <b>74.525</b>     |
| 2.5.1        | 12 Month Expected Credit Losses (Stage I)  |                             | 29.081                         | -                | 29.081            |
| 2.5.2        | Significant Increase in Credit Risk (Stage II)   |                             | 15.343                         | -                | 15.343            |
| 2.5.3        | Credit-Impaired Losses (Stage III / Special Provision)   |                             | 30.101                         | -                | 30.101            |
| <b>III.</b>  | <b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b> | (8)                         | <b>4.259</b>                   | -                | <b>4.259</b>      |
| 3.1          | Held for Sale Purpose  |                             | 4.259                          | -                | 4.259             |
| 3.2          | Related to Discontinued Operations   |                             | -                              | -                | -                 |
| <b>IV.</b>   | <b>EQUITY INVESTMENTS</b>  | (9)                         | -                              | -                | -                 |
| <b>4.1</b>   | <b>Investments in Associates (Net)</b>   |                             | -                              | -                | -                 |
| 4.1.1        | Associates Valued Based on Equity Method   |                             | -                              | -                | -                 |
| 4.1.2        | Consolidated Associates  |                             | -                              | -                | -                 |
| <b>4.2</b>   | <b>Subsidiaries (Net)</b>  |                             | -                              | -                | -                 |
| 4.2.1        | Consolidated Financial Subsidiaries  |                             | -                              | -                | -                 |
| 4.2.2        | Consolidated Non-Financial Subsidiaries  |                             | -                              | -                | -                 |
| <b>4.3</b>   | <b>Joint Ventures (Net)</b>  |                             | -                              | -                | -                 |
| 4.3.1        | Joint Ventures Valued Based on Equity Method   |                             | -                              | -                | -                 |
| 4.3.2        | Consolidated Joint Ventures  |                             | -                              | -                | -                 |
| <b>V.</b>    | <b>PROPERTY AND EQUIPMENT (Net)</b>  | (10)                        | <b>47.482</b>                  | -                | <b>47.482</b>     |
| <b>VI.</b>   | <b>INTANGIBLE ASSETS (Net)</b>   | (11)                        | <b>69.815</b>                  | -                | <b>69.815</b>     |
| 6.1          | Goodwill   |                             | -                              | -                | -                 |
| 6.2          | Other  |                             | 69.815                         | -                | 69.815            |
| <b>VII.</b>  | <b>INVESTMENT PROPERTY (Net)</b>   | (12)                        | -                              | -                | -                 |
| <b>VIII.</b> | <b>CURRENT TAX ASSET</b>   | (13)                        | -                              | -                | -                 |
| <b>IX.</b>   | <b>DEFERRED TAX ASSET</b>  | (14)                        | <b>34.423</b>                  | -                | <b>34.423</b>     |
| <b>X.</b>    | <b>OTHER ASSETS</b>  | (15)                        | <b>35.720</b>                  | <b>949</b>       | <b>36.669</b>     |
|              | <b>TOTAL ASSETS</b>  |                             | <b>13.557.824</b>              | <b>4.923.808</b> | <b>18.481.632</b> |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 31 DECEMBER 2017

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

| I.     | CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)            | Note<br>(Section<br>Five I) | THOUSAND OF TURKISH LIRA     |                  |                   |
|--------|---|-----------------------------|------------------------------|------------------|-------------------|
|        |   |                             | Prior Period<br>(31/12/2017) |                  |                   |
|        |   |                             | TL                           | FC               | Total             |
|        | <b>ASSETS</b>   |                             |                              |                  |                   |
| I.     | CASH BALANCES WITH THE CENTRAL BANK OF TURKEY                           | (1)                         | 305.803                      | 1.337.886        | 1.643.689         |
| II.    | FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (Net)            | (5)                         | 33                           | 4                | 37                |
| 2.1    | Financial Assets Held for Trading                                       |                             | 33                           | 4                | 37                |
| 2.1.1  | Public Sector Debt Securities   |                             | -                            | -                | -                 |
| 2.1.2  | Securities Representing a Share in Capital                              |                             | -                            | -                | -                 |
| 2.1.3  | Derivative Financial Assets Held for Trading                            |                             | 33                           | 4                | 37                |
| 2.1.4  | Other Marketable Securities   |                             | -                            | -                | -                 |
| 2.2    | Financial Assets at Fair Value Through Profit or Loss                   |                             | -                            | -                | -                 |
| 2.2.1  | Public Sector Debt Securities   |                             | -                            | -                | -                 |
| 2.2.2  | Securities Representing a Share in Capital                              |                             | -                            | -                | -                 |
| 2.2.3  | Loans   |                             | -                            | -                | -                 |
| 2.2.4  | Other Marketable Securities   |                             | -                            | -                | -                 |
| III.   | BANKS   | (2)                         | 3.320                        | 275.261          | 278.581           |
| IV.    | MONEY MARKET PLACEMENTS   |                             | -                            | -                | -                 |
| V.     | FINANCIAL ASSETS AVAILABLE FOR SALE (Net)                               | (3)                         | 516.461                      | 7.712            | 524.173           |
| 5.1    | Securities Representing a Share in Capital                              |                             | 4.719                        | -                | 4.719             |
| 5.2    | Public Sector Debt Securities   |                             | -                            | -                | -                 |
| 5.3    | Other Marketable Securities   |                             | 511.742                      | 7.712            | 519.454           |
| VI.    | LOANS AND RECEIVABLES   | (7)                         | 9.656.012                    | 1.718.732        | 11.374.744        |
| 6.1    | Loans and receivables   |                             | 9.639.259                    | 1.718.732        | 11.357.991        |
| 6.1.1  | Loans to Risk Group of the Bank   |                             | 400.452                      | 358.536          | 758.988           |
| 6.1.2  | Public sector debt securities   |                             | -                            | -                | -                 |
| 6.1.3  | Other   |                             | 9.238.807                    | 1.360.196        | 10.599.003        |
| 6.2    | Non-performing loans  |                             | 34.841                       | -                | 34.841            |
| 6.3    | Specific provisions (-)   |                             | 18.088                       | -                | 18.088            |
| VII.   | INVESTMENTS HELD TO MATURITY (Net)                                      | (4)                         | -                            | -                | -                 |
| VIII.  | INVESTMENTS IN ASSOCIATES (Net)   | (9)                         | -                            | -                | -                 |
| 8.1    | Accounted with Equity Method  |                             | -                            | -                | -                 |
| 8.2    | Consolidated Associates   |                             | -                            | -                | -                 |
| 8.2.1  | Financial investments   |                             | -                            | -                | -                 |
| 8.2.2  | Non-financial investments   |                             | -                            | -                | -                 |
| IX.    | INVESTMENTS IN SUBSIDIARIES (Net)                                       | (9)                         | -                            | -                | -                 |
| 9.1    | Consolidated financial subsidiaries                                     |                             | -                            | -                | -                 |
| 9.2    | Consolidated non-financial subsidiaries                                 |                             | -                            | -                | -                 |
| X.     | ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)                       | (9)                         | -                            | -                | -                 |
| 10.1   | Consolidated under equity method  |                             | -                            | -                | -                 |
| 10.2   | Consolidated  |                             | -                            | -                | -                 |
| 10.2.1 | Financial subsidiaries  |                             | -                            | -                | -                 |
| 10.2.2 | Non-financial subsidiaries  |                             | -                            | -                | -                 |
| XI.    | RECEIVABLES FROM LEASING TRANSACTIONS                                   |                             | 372.944                      | -                | 372.944           |
| 11.1   | Finance Lease Receivables   |                             | 479.451                      | -                | 479.451           |
| 11.2   | Operating Lease Receivables   |                             | -                            | -                | -                 |
| 11.3   | Other   |                             | -                            | -                | -                 |
| 11.4   | Unearned Income (-)   |                             | 106.507                      | -                | 106.507           |
| XII.   | DERIVATIVE FINANCIAL ASSETS FOR HEDGING PURPOSE                         |                             | -                            | -                | -                 |
| 12.1   | Fair Value Hedges   |                             | -                            | -                | -                 |
| 12.2   | Cash Flow Hedges  |                             | -                            | -                | -                 |
| 12.3   | Hedges for Investments Made in Foreign Countries                        |                             | -                            | -                | -                 |
| XIII.  | TANGIBLE ASSETS (Net)   | (10)                        | 47.235                       | -                | 47.235            |
| XIV.   | INTANGIBLE ASSETS (Net)   | (11)                        | 63.280                       | -                | 63.280            |
| 14.1   | Goodwill  |                             | -                            | -                | -                 |
| 14.2   | Other   |                             | 63.280                       | -                | 63.280            |
| XV.    | REAL ESTATES FOR INVESTMENT PURPOSE (Net)                               | (12)                        | -                            | -                | -                 |
| XVI.   | TAX ASSET   |                             | 14.093                       | -                | 14.093            |
| 16.1   | Current Tax Asset   | (13)                        | -                            | -                | -                 |
| 16.2   | Deferred Tax Asset  | (14)                        | 14.093                       | -                | 14.093            |
| XVII.  | ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net) | (8)                         | 3.561                        | -                | 3.561             |
| 17.1   | Held for Sale   |                             | 3.561                        | -                | 3.561             |
| 17.2   | Held from Discontinued Operations                                       |                             | -                            | -                | -                 |
| XVIII. | OTHER ASSETS  | (15)                        | 27.580                       | 122              | 27.702            |
|        | <b>TOTAL ASSETS</b>   |                             | <b>11.010.322</b>            | <b>3.339.717</b> | <b>14.350.039</b> |

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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 JUNE 2018**

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

| I.           | CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)   | Note<br>(Section<br>Five II) | THOUSAND OF TURKISH LIRA       |                  |                   |
|--------------|--|------------------------------|--------------------------------|------------------|-------------------|
|              |  |                              | Current Period<br>(30/06/2018) |                  |                   |
|              |  |                              | TL                             | FC               | Total             |
|              | <b>LIABILITIES AND EQUITY</b>  |                              |                                |                  |                   |
| <b>I.</b>    | <b>FUNDS COLLECTED</b>   | (1)                          | 7.865.345                      | 5.567.585        | 13.432.930        |
| <b>II.</b>   | <b>FUNDS BORROWED</b>  | (2)                          | 10.014                         | 1.289.304        | 1.299.318         |
| <b>III.</b>  | <b>MONEY MARKETS DEBTS</b>   | (3)                          | 611.970                        | -                | 611.970           |
| <b>IV.</b>   | <b>SECURITIES ISSUED (Net)</b>   | (4)                          | 788.445                        | -                | 788.445           |
| <b>V.</b>    | <b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS</b>  | (5)                          | -                              | -                | -                 |
| <b>VI.</b>   | <b>DERIVATIVE FINANCIAL LIABILITIES</b>  | (6)                          | -                              | 4.568            | 4.568             |
| 6.1          | Derivative Financial Liabilities at Fair Value Through Profit or Loss                                    |                              | -                              | 4.568            | 4.568             |
| 6.2          | Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income                        |                              | -                              | -                | -                 |
| <b>VII.</b>  | <b>FINANCE LEASE PAYABLES</b>  | (7)                          | -                              | 324              | 324               |
| 7.1          | Finance Lease Payables   |                              | -                              | 329              | 329               |
| 7.2          | Operating Lease Payables   |                              | -                              | -                | -                 |
| 7.3          | Other  |                              | -                              | -                | -                 |
| 7.4          | Deferred Finance Lease Expenses ( - )  |                              | -                              | 5                | 5                 |
| <b>VIII.</b> | <b>PROVISIONS</b>  | (8)                          | 96.999                         | 10.916           | 107.915           |
| 8.1          | Restructuring Provisions   |                              | -                              | -                | -                 |
| 8.2          | Reserve for Employee Benefits  |                              | 13.158                         | -                | 13.158            |
| 8.3          | Insurance Technical Provisions (Net)   |                              | -                              | -                | -                 |
| 8.4          | Other Provisions   |                              | 83.841                         | 10.916           | 94.757            |
| <b>IX.</b>   | <b>CURRENT TAX LIABILITY</b>   | (9)                          | 40.591                         | -                | 40.591            |
| <b>X.</b>    | <b>DEFERRED TAX LIABILITY</b>  | (10)                         | -                              | -                | -                 |
| <b>XI.</b>   | <b>LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b> | (11)                         | -                              | -                | -                 |
| 11.1         | Held for Sale Purpose  |                              | -                              | -                | -                 |
| 11.2         | Related to Discontinued Operations   |                              | -                              | -                | -                 |
| <b>XII.</b>  | <b>SUBORDINATED DEBT INSTRUMENTS</b>   | (12)                         | -                              | -                | -                 |
| 12.1         | Loans  |                              | -                              | -                | -                 |
| 12.2         | Other Debt Instruments   |                              | -                              | -                | -                 |
| <b>XIII.</b> | <b>OTHER LIABILITIES</b>   | (13)                         | 629.328                        | 12.284           | 641.612           |
| <b>XIV.</b>  | <b>SHAREHOLDERS' EQUITY</b>  | (14)                         | 1.553.995                      | (36)             | 1.553.959         |
| 14.1         | Paid-in capital  |                              | 1.250.000                      | -                | 1.250.000         |
| 14.2         | Capital Reserves   |                              | -                              | -                | -                 |
| 14.2.1       | Share Premium  |                              | -                              | -                | -                 |
| 14.2.2       | Share Cancellation Profits   |                              | -                              | -                | -                 |
| 14.2.3       | Other Capital Reserve  |                              | -                              | -                | -                 |
| 14.3         | Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss                   |                              | -                              | -                | -                 |
| 14.4         | Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss                       |                              | (31.564)                       | (36)             | (31.600)          |
| 14.5         | Profit Reserves  |                              | 158.593                        | -                | 158.593           |
| 14.5.1       | Legal Reserves   |                              | 9.961                          | -                | 9.961             |
| 14.5.2       | Status Reserves  |                              | -                              | -                | -                 |
| 14.5.3       | Extraordinary Reserves   |                              | 138.256                        | -                | 138.256           |
| 14.5.4       | Other Profit Reserves  |                              | 10.376                         | -                | 10.376            |
| 14.6         | Income or (Loss)   |                              | 176.966                        | -                | 176.966           |
| 14.6.1       | Prior Periods' Income or (Loss)  |                              | 25.660                         | -                | 25.660            |
| 14.6.2       | Current Period Income or (Loss)  |                              | 151.306                        | -                | 151.306           |
| 14.7         | Minority Shareholder   |                              | -                              | -                | -                 |
|              | <b>TOTAL LIABILITIES AND EQUITY</b>  |                              | <b>11.596.687</b>              | <b>6.884.945</b> | <b>18.481.632</b> |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 31 DECEMBER 2017

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

| II.          | CONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)                                      | Note<br>(Section<br>Five II) | THOUSAND OF TURKISH LIRA     |                  |                   |
|--------------|---|------------------------------|------------------------------|------------------|-------------------|
|              |   |                              | Prior Period<br>(31/12/2017) |                  |                   |
|              |   |                              | TL                           | FC               | Total             |
|              | <b>LIABILITIES AND EQUITY</b>   |                              |                              |                  |                   |
| <b>I.</b>    | <b>FUND COLLECTED</b>   | <b>(1)</b>                   | <b>6.345.837</b>             | <b>3.678.649</b> | <b>10.024.486</b> |
| 1.1          | Fund Collected Held By the Risk Group of the Bank   |                              | 8.156                        | 3                | 8.159             |
| 1.2          | Other   |                              | 6.337.681                    | 3.678.646        | 10.016.327        |
| <b>II.</b>   | <b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>  | <b>(6)</b>                   | <b>-</b>                     | <b>6.280</b>     | <b>6.280</b>      |
| <b>III.</b>  | <b>FUNDS BORROWED</b>   | <b>(2)</b>                   | <b>419.374</b>               | <b>1.629.936</b> | <b>2.049.310</b>  |
| <b>IV.</b>   | <b>MONEY MARKET BALANCES</b>  | <b>(3)</b>                   | <b>32.462</b>                | <b>-</b>         | <b>32.462</b>     |
| <b>V.</b>    | <b>MARKETABLE SECURITIES ISSUED (Net)</b>   | <b>(4)</b>                   | <b>557.804</b>               | <b>-</b>         | <b>557.804</b>    |
| <b>VI.</b>   | <b>MISCELLANEOUS PAYABLES</b>   |                              | <b>27.253</b>                | <b>8.462</b>     | <b>35.715</b>     |
| <b>VII.</b>  | <b>OTHER LIABILITIES</b>  | <b>(13)</b>                  | <b>69.368</b>                | <b>1.202</b>     | <b>70.570</b>     |
| <b>VIII.</b> | <b>FINANCE LEASE PAYABLES</b>   | <b>(7)</b>                   | <b>-</b>                     | <b>-</b>         | <b>-</b>          |
| 8.1          | Finance Lease Payables  |                              | -                            | -                | -                 |
| 8.2          | Operating Lease Payables  |                              | -                            | -                | -                 |
| 8.3          | Other   |                              | -                            | -                | -                 |
| 8.4          | Deferred Finance Lease Expenses ( - )   |                              | -                            | -                | -                 |
| <b>IX.</b>   | <b>DERIVATIVE FINANCIAL LIABILITIES FOR HEDGING</b>   |                              | <b>-</b>                     | <b>-</b>         | <b>-</b>          |
| 9.1          | Fair Value Hedges   |                              | -                            | -                | -                 |
| 9.2          | Cash Flow Hedges  |                              | -                            | -                | -                 |
| 9.3          | Hedges for Investments Made in Foreign Countries  |                              | -                            | -                | -                 |
| <b>X.</b>    | <b>PROVISIONS</b>   | <b>(8)</b>                   | <b>138.685</b>               | <b>3.605</b>     | <b>142.290</b>    |
| 10.1         | General Provisions  |                              | 99.082                       | -                | 99.082            |
| 10.2         | Restructuring Provisions  |                              | -                            | -                | -                 |
| 10.3         | Employee Benefits Provisions  |                              | 4.719                        | -                | 4.719             |
| 10.4         | Insurance Technical Reserves (Net)  |                              | -                            | -                | -                 |
| 10.5         | Other Provisions  |                              | 34.884                       | 3.605            | 38.489            |
| <b>XI.</b>   | <b>TAX LIABILITY</b>  |                              | <b>27.441</b>                | <b>-</b>         | <b>27.441</b>     |
| 11.1         | Current Tax Liability   | <b>(9)</b>                   | 27.441                       | -                | 27.441            |
| 11.2         | Deferred Tax Liability  | <b>(10)</b>                  | -                            | -                | -                 |
| <b>XII.</b>  | <b>LIABILITIES FOR ASSETS HELD FOR SALE AND HELD FROM DISCONTINUED OPERATIONS (Net)</b>           | <b>(11)</b>                  | <b>-</b>                     | <b>-</b>         | <b>-</b>          |
| 12.1         | Held for Sale   |                              | -                            | -                | -                 |
| 12.2         | Held from Discontinued Operations   |                              | -                            | -                | -                 |
| <b>XIII.</b> | <b>SUBORDINATED LOANS</b>   | <b>(12)</b>                  | <b>-</b>                     | <b>-</b>         | <b>-</b>          |
| <b>XIV.</b>  | <b>SHAREHOLDERS' EQUITY</b>   | <b>(14)</b>                  | <b>1.403.692</b>             | <b>(11)</b>      | <b>1.403.681</b>  |
| 14.1         | Paid-in Capital   |                              | 1.250.000                    | -                | 1.250.000         |
| 14.2         | Capital Reserves  |                              | (14.901)                     | (11)             | (14.912)          |
| 14.2.1       | Share Premium   |                              | -                            | -                | -                 |
| 14.2.2       | Share Cancellation Profits  |                              | -                            | -                | -                 |
| 14.2.3       | Marketable Securities Valuation Differences   |                              | (14.901)                     | (11)             | (14.912)          |
| 14.2.4       | Tangible Assets Revaluation Reserves  |                              | -                            | -                | -                 |
| 14.2.5       | Intangible Assets Revaluation Reserves  |                              | -                            | -                | -                 |
| 14.2.6       | Revaluation Reserves of Real Estates for Investment Purpose                                       |                              | -                            | -                | -                 |
| 14.2.7       | Bonus shares obtained from associates, subsidiaries and jointly controlled entities (Joint Vent.) |                              | -                            | -                | -                 |
| 14.2.8       | Hedging Funds (Effective Portion)   |                              | -                            | -                | -                 |
| 14.2.9       | Accumulated valuation differences from assets held for sale and from discontinued operations      |                              | -                            | -                | -                 |
| 14.2.10      | Other Capital Reserves  |                              | -                            | -                | -                 |
| 14.3         | Profit Reserves   |                              | 9.691                        | -                | 9.691             |
| 14.3.1       | Legal Reserves  |                              | 1.308                        | -                | 1.308             |
| 14.3.2       | Statutory Reserves  |                              | -                            | -                | -                 |
| 14.3.3       | Extraordinary Reserves  |                              | 3.843                        | -                | 3.843             |
| 14.3.4       | Other Profit Reserves   |                              | 4.540                        | -                | 4.540             |
| 14.4         | Profit or Loss  |                              | 158.902                      | -                | 158.902           |
| 14.4.1       | Prior Years Profit/Loss   |                              | -                            | -                | -                 |
| 14.4.2       | Net Period Profit/Loss  |                              | 158.902                      | -                | 158.902           |
| 14.5         | Minority Shareholder  |                              | -                            | -                | -                 |
|              | <b>TOTAL LIABILITIES AND EQUITY</b>   |                              | <b>9.021.916</b>             | <b>5.328.123</b> | <b>14.350.039</b> |

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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 JUNE 2018

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

| II.  | CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS          | Note<br>(Section<br>Five III) | THOUSAND OF TURKISH LIRA       |                  |                   |
|--|--|-------------------------------|--------------------------------|------------------|-------------------|
|  |  |                               | Current Period<br>(30/06/2018) |                  |                   |
|  |  |                               | TL                             | FC               | Total             |
| <b>A</b>   | <b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>                  | <b>(1)</b>                    | <b>4.070.207</b>               | <b>7.327.834</b> | <b>11.398.041</b> |
| <b>I.</b>  | <b>GUARANTEES AND WARRANTIES</b>                                 |                               | <b>3.911.127</b>               | <b>5.004.745</b> | <b>8.915.872</b>  |
| 1.1  | Letters of Guarantee   |                               | 3.897.279                      | 3.645.413        | 7.542.692         |
| 1.1.1  | Guarantees Subject to State Tender Law                           |                               | 256.746                        | 1.526.112        | 1.782.858         |
| 1.1.2  | Guarantees Given for Foreign Trade Operations                    |                               | 3.488.515                      | -                | 3.488.515         |
| 1.1.3  | Other Letters of Guarantee                                       |                               | 152.018                        | 2.119.301        | 2.271.319         |
| 1.2  | Bank Acceptances   |                               | -                              | 1.227            | 1.227             |
| 1.2.1  | Import Letter of Acceptance                                      |                               | -                              | 1.227            | 1.227             |
| 1.2.2  | Other Bank Acceptances   |                               | -                              | -                | -                 |
| 1.3  | Letters of Credit  |                               | 12.558                         | 700.645          | 713.203           |
| 1.3.1  | Documentary Letters of Credit                                    |                               | 12.558                         | 700.645          | 713.203           |
| 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   |                               | -                              | 651.691          | 651.691           |
| 1.7  | Other Collaterals  |                               | 1.290                          | 5.769            | 7.059             |
| <b>II.</b>                                       | <b>COMMITMENTS</b>   | <b>(1)</b>                    | <b>159.080</b>                 | <b>132.469</b>   | <b>291.549</b>    |
| 2.1  | Irrevocable Commitments  |                               | 159.080                        | 132.469          | 291.549           |
| 2.1.1  | Forward asset purchase commitments                               |                               | 50.657                         | 132.469          | 183.126           |
| 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                                    |                               | 99.601                         | -                | 99.601            |
| 2.1.7  | Tax and Fund Liabilities from Export Commitments                 |                               | 3.500                          | -                | 3.500             |
| 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                                    |                               | 5.322                          | -                | 5.322             |
| 2.2  | Revocable Commitments  |                               | -                              | -                | -                 |
| 2.2.1  | Revocable Loan Granting Commitments                              |                               | -                              | -                | -                 |
| 2.2.2  | Other Revocable Commitments                                      |                               | -                              | -                | -                 |
| <b>III.</b>                                      | <b>DERIVATIVE FINANCIAL INSTRUMENTS</b>                          |                               | -                              | <b>2.190.620</b> | <b>2.190.620</b>  |
| 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                         |                               | -                              | 2.190.620        | 2.190.620         |
| 3.2.1  | Forward Foreign Currency Buy/Sell Transactions                   |                               | -                              | 2.190.620        | 2.190.620         |
| 3.2.1.1  | Forward Foreign Currency Transactions-Buy                        |                               | -                              | 1.096.822        | 1.096.822         |
| 3.2.1.2  | Forward Foreign Currency Transactions-Sell                       |                               | -                              | 1.093.798        | 1.093.798         |
| 3.2.2  | Other Forward Buy/Sell Transaction                               |                               | -                              | -                | -                 |
| 3.3  | Other  |                               | -                              | -                | -                 |
| <b>B.</b>  | <b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>                    |                               | <b>16.029.848</b>              | <b>1.674.675</b> | <b>17.704.523</b> |
| <b>IV.</b>                                       | <b>ITEMS HELD IN CUSTODY</b>                                     |                               | <b>739.958</b>                 | <b>488.519</b>   | <b>1.228.477</b>  |
| 4.1  | Customer Fund and Portfolio Balances                             |                               | -                              | -                | -                 |
| 4.2  | Investment Securities Held in Custody                            |                               | 274.922                        | -                | 274.922           |
| 4.3  | Checks Received for Collection                                   |                               | 425.759                        | 11.920           | 437.679           |
| 4.4  | Commercial Notes Received for Collection                         |                               | 33.374                         | 7.544            | 40.918            |
| 4.5  | Other Assets Received for Collection                             |                               | -                              | -                | -                 |
| 4.6  | Assets Received for Public Offering                              |                               | -                              | -                | -                 |
| 4.7  | Other Items Under Custody  |                               | 5.903                          | 210.085          | 215.988           |
| 4.8  | Custodians   |                               | -                              | 258.970          | 258.970           |
| <b>V.</b>  | <b>PLEDGES RECEIVED</b>  |                               | <b>15.289.890</b>              | <b>1.186.156</b> | <b>16.476.046</b> |
| 5.1  | Marketable Securities  |                               | 1.076.018                      | 393.404          | 1.469.422         |
| 5.2  | Guarantee Notes  |                               | 1.178.890                      | 127.079          | 1.305.969         |
| 5.3  | Commodity  |                               | 1.197.511                      | 226.074          | 1.423.585         |
| 5.4  | Warranty   |                               | -                              | -                | -                 |
| 5.5  | Properties   |                               | 10.973.523                     | -                | 10.973.523        |
| 5.6  | Other Pledged Items  |                               | 863.948                        | 439.599          | 1.303.547         |
| 5.7  | Pledged Items-Depository   |                               | -                              | -                | -                 |
| <b>VI.</b>                                       | <b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>            |                               | -                              | -                | -                 |
| <b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b> |  |                               | <b>20.100.055</b>              | <b>9.002.509</b> | <b>29.102.564</b> |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 31 DECEMBER 2017

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

| II.  | CONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS          | Note<br>(Section<br>Five III) | THOUSAND OF TURKISH LIRA       |                  |                   |
|--|--|-------------------------------|--------------------------------|------------------|-------------------|
|  |  |                               | Current Period<br>(31/12/2017) |                  |                   |
|  |  |                               | TL                             | FC               | Total             |
| <b>A</b>   | <b>OFF-BALANCE SHEET COMMITMENTS (I+II+III)</b>                  | <b>(1)</b>                    | <b>3.274.276</b>               | <b>4.234.096</b> | <b>7.508.372</b>  |
| <b>I.</b>  | <b>GUARANTEES AND WARRANTIES</b>                                 |                               | <b>3.173.375</b>               | <b>2.938.163</b> | <b>6.111.538</b>  |
| 1.1  | Letters of Guarantee   |                               | 3.169.925                      | 2.152.205        | 5.322.130         |
| 1.1.1  | Guarantees Subject to State Tender Law                           |                               | 111.858                        | 696.422          | 808.280           |
| 1.1.2  | Guarantees Given for Foreign Trade Operations                    |                               | 2.910.565                      | -                | 2.910.565         |
| 1.1.3  | Other Letters of Guarantee                                       |                               | 147.502                        | 1.455.783        | 1.603.285         |
| 1.2  | Bank Acceptances   |                               | -                              | 4.784            | 4.784             |
| 1.2.1  | Import Letter of Acceptance                                      |                               | -                              | 4.784            | 4.784             |
| 1.2.2  | Other Bank Acceptances   |                               | -                              | -                | -                 |
| 1.3  | Letters of Credit  |                               | -                              | 447.193          | 447.193           |
| 1.3.1  | Documentary Letters of Credit                                    |                               | -                              | 447.193          | 447.193           |
| 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   |                               | 3.450                          | 329.962          | 333.412           |
| 1.7  | Other Collaterals  |                               | -                              | 4.019            | 4.019             |
| <b>II.</b>                                       | <b>COMMITMENTS</b>   | <b>(1)</b>                    | <b>100.901</b>                 | <b>31.855</b>    | <b>132.756</b>    |
| 2.1  | Irrevocable Commitments  |                               | 100.901                        | 31.855           | 132.756           |
| 2.1.1  | Forward asset purchase commitments                               |                               | 30.056                         | 31.855           | 61.911            |
| 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                                    |                               | 64.845                         | -                | 64.845            |
| 2.1.7  | Tax and Fund Liabilities from Export Commitments                 |                               | 1.966                          | -                | 1.966             |
| 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                                    |                               | 4.034                          | -                | 4.034             |
| 2.2  | Revocable Commitments  |                               | -                              | -                | -                 |
| 2.2.1  | Revocable Loan Granting Commitments                              |                               | -                              | -                | -                 |
| 2.2.2  | Other Revocable Commitments                                      |                               | -                              | -                | -                 |
| <b>III.</b>                                      | <b>DERIVATIVE FINANCIAL INSTRUMENTS</b>                          |                               |                                | <b>1.264.078</b> | <b>1.264.078</b>  |
| 3.1  | Hedging Derivative Financial Instruments                         |                               | -                              | -                | -                 |
| 3.1.1  | Fair value hedge   |                               | -                              | -                | -                 |
| 3.1.2  | Cash flow hedge  |                               | -                              | -                | -                 |
| 3.1.3  | Foreign Net Investment Hedges                                    |                               | -                              | -                | -                 |
| 3.2  | Trading Derivative Financial Instruments                         |                               | -                              | 1.264.078        | 1.264.078         |
| 3.2.1  | Forward Foreign Currency Buy/Sell Transactions                   |                               | -                              | 1.264.078        | 1.264.078         |
| 3.2.1.1  | Forward Foreign Currency Transactions-Buy                        |                               | -                              | 629.444          | 629.444           |
| 3.2.1.2  | Forward Foreign Currency Transactions-Sell                       |                               | -                              | 634.634          | 634.634           |
| 3.2.2  | Other Forward Buy/Sell Transaction                               |                               | -                              | -                | -                 |
| 3.3  | Other  |                               | -                              | -                | -                 |
| <b>B.</b>  | <b>CUSTODY AND PLEDGES RECEIVED (IV+V+VI)</b>                    |                               | <b>12.684.779</b>              | <b>946.613</b>   | <b>13.631.392</b> |
| <b>IV.</b>                                       | <b>ITEMS HELD IN CUSTODY</b>                                     |                               | <b>447.409</b>                 | <b>252.379</b>   | <b>699.788</b>    |
| 4.1  | Customer Fund and Portfolio Balances                             |                               | -                              | -                | -                 |
| 4.2  | Investment Securities Held in Custody                            |                               | 119.399                        | -                | 119.399           |
| 4.3  | Checks Received for Collection                                   |                               | 307.270                        | 2.778            | 310.048           |
| 4.4  | Commercial Notes Received for Collection                         |                               | 20.465                         | 4.592            | 25.057            |
| 4.5  | Other Assets Received for Collection                             |                               | -                              | -                | -                 |
| 4.6  | Assets Received for Public Offering                              |                               | -                              | -                | -                 |
| 4.7  | Other Items Under Custody  |                               | 275                            | 97.500           | 97.775            |
| 4.8  | Custodians   |                               | -                              | 147.509          | 147.509           |
| <b>V.</b>  | <b>PLEDGES RECEIVED</b>  |                               | <b>12.237.370</b>              | <b>694.234</b>   | <b>12.931.604</b> |
| 5.1  | Marketable Securities  |                               | 1.189.468                      | 331.670          | 1.521.138         |
| 5.2  | Guarantee Notes  |                               | 864.266                        | 35.828           | 900.094           |
| 5.3  | Commodity  |                               | 830.495                        | 27               | 830.522           |
| 5.4  | Warranty   |                               | -                              | -                | -                 |
| 5.5  | Properties   |                               | 8.755.047                      | -                | 8.755.047         |
| 5.6  | Other Pledged Items  |                               | 598.094                        | 326.709          | 924.803           |
| 5.7  | Pledged Items-Depository   |                               | -                              | -                | -                 |
| <b>VI.</b>                                       | <b>ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES</b>            |                               | -                              | -                | -                 |
| <b>TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)</b> |  |                               | <b>15.959.055</b>              | <b>5.180.709</b> | <b>21.139.764</b> |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 JUNE 2018

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

| ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS                           |                              |   |   |
|--|------------------------------|---|---|
| INCOME AND EXPENSE ITEMS   | Note<br>(Section<br>Five IV) | THOUSAND OF TURKISH LIRA                |   |
|  |                              | Current Period<br>01/01/2018-30/06/2018 | Current Period<br>01/04/2018-30/06/2018 |
| <b>I. PROFIT SHARE INCOME</b>  | <b>(1)</b>                   | <b>792.322</b>                          | <b>434.392</b>                          |
| 1.1 Profit share on loans  |                              | 706.587                                 | 384.660                                 |
| 1.2 Profit share on reserve deposits   |                              | 15.089                                  | 8.527                                   |
| 1.3 Profit share on banks  |                              | -                                       | -                                       |
| 1.4 Profit share on money market placements  |                              | -                                       | -                                       |
| 1.5 Profit share on marketable securities portfolio  |                              | 43.618                                  | 24.970                                  |
| 1.5.1 Fair Value Through Profit or Loss  |                              | -                                       | -                                       |
| 1.5.2 Fair Value Through Other Comprehensive Income  |                              | 43.618                                  | 24.970                                  |
| 1.5.3 Measured at Amortised Cost   |                              | -                                       | -                                       |
| 1.6 Finance lease income   |                              | 22.814                                  | 12.341                                  |
| 1.7 Other profit share income  |                              | 4.214                                   | 3.894                                   |
| <b>II. PROFIT SHARE EXPENSE</b>  | <b>(2)</b>                   | <b>472.780</b>                          | <b>264.262</b>                          |
| 2.1 Expense on profit sharing accounts   |                              | 395.950                                 | 220.241                                 |
| 2.2 Profit share expense on funds borrowed   |                              | 28.798                                  | 16.524                                  |
| 2.3 Profit share expense on money market borrowings  |                              | 5.197                                   | 3.817                                   |
| 2.4 Expense on securities issued   |                              | 42.833                                  | 23.678                                  |
| 2.5 Other profit share expense   |                              | 2                                       | 2                                       |
| <b>III. NET PROFIT SHARE INCOME (I - II)</b>   |                              | <b>319.542</b>                          | <b>170.130</b>                          |
| <b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>   |                              | <b>22.790</b>                           | <b>13.763</b>                           |
| 4.1 Fees and commissions received  |                              | 32.896                                  | 19.180                                  |
| 4.1.1 Non-cash loans   |                              | 24.371                                  | 13.916                                  |
| 4.1.2 Other  |                              | 8.525                                   | 5.264                                   |
| 4.2 Fees and commissions paid  |                              | 10.106                                  | 5.417                                   |
| 4.2.1 Non-cash loans   |                              | 2                                       | -                                       |
| 4.2.2 Other  |                              | 10.104                                  | 5.417                                   |
| <b>V. PERSONNEL EXPENSE (-)</b>  |                              | <b>58.594</b>                           | <b>29.855</b>                           |
| <b>VI. DIVIDEND INCOME</b>   | <b>(3)</b>                   | <b>177</b>                              | <b>177</b>                              |
| <b>VII. TRADING INCOME /(LOSS) (Net)</b>   | <b>(4)</b>                   | <b>11.905</b>                           | <b>7.917</b>                            |
| 7.1 Capital market transaction gains / (losses)  |                              | (874)                                   | (4)                                     |
| 7.2 Gains/ (losses) from derivative financial instruments                                      |                              | 23.119                                  | 38.536                                  |
| 7.3 Foreign exchange gains / (losses)  |                              | (10.340)                                | (30.615)                                |
| <b>VIII. OTHER OPERATING INCOME</b>  | <b>(5)</b>                   | <b>36.394</b>                           | <b>19.232</b>                           |
| <b>IX. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>                                       |                              | <b>332.214</b>                          | <b>181.364</b>                          |
| <b>X. EXPECTED CREDIT LOSS (-)</b>   | <b>(6)</b>                   | <b>64.003</b>                           | <b>31.705</b>                           |
| <b>XI. OTHER OPERATING EXPENSES (-)</b>  | <b>(7)</b>                   | <b>79.712</b>                           | <b>47.793</b>                           |
| <b>XII. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>  |                              | <b>188.499</b>                          | <b>101.866</b>                          |
| <b>XIII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>                                     |                              | -                                       | -                                       |
| <b>XIV. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b> |                              | -                                       | -                                       |
| <b>XV. INCOME/(LOSS) ON NET MONETARY POSITION</b>  |                              | -                                       | -                                       |
| <b>XVI. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>                      | <b>(8)</b>                   | <b>188.499</b>                          | <b>101.866</b>                          |
| <b>XVII. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>  | <b>(9)</b>                   | <b>(37.193)</b>                         | <b>(19.302)</b>                         |
| 17.1 Current Tax Provision   |                              | (45.326)                                | (24.340)                                |
| 17.2 Deferred Tax Income Effect (+)  |                              | (1.773)                                 | 212                                     |
| 17.3 Deferred Tax Expense Effect (-)   |                              | 9.906                                   | 4.826                                   |
| <b>XVIII. CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>                | <b>(10)</b>                  | <b>151.306</b>                          | <b>82.564</b>                           |
| <b>XIX. INCOME FROM DISCONTINUED OPERATIONS</b>  |                              | -                                       | -                                       |
| 19.1 Income on assets held for sale  |                              | -                                       | -                                       |
| 19.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)  |                              | -                                       | -                                       |
| 19.3 Income on other discontinued operations   |                              | -                                       | -                                       |
| <b>XX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>  |                              | -                                       | -                                       |
| 20.1 Expenses for Non-current Assets Held for Sale   |                              | -                                       | -                                       |
| 20.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)    |                              | -                                       | -                                       |
| 20.3 Expenses for Other Discontinued Operations  |                              | -                                       | -                                       |
| <b>XXI. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>                       |                              | -                                       | -                                       |
| <b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>                                     |                              | -                                       | -                                       |
| 22.1 Current tax provision   |                              | -                                       | -                                       |
| 22.2 Deferred Tax Expense Effect (+)   |                              | -                                       | -                                       |
| 22.3 Deferred Tax Income Effect (-)  |                              | -                                       | -                                       |
| <b>XXIII. CURRENT PERIOD PROFIT / LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>             |                              | -                                       | -                                       |
| <b>XXIV. NET INCOME/(LOSS) (XVIII±XXIII)</b>   | <b>(11)</b>                  | <b>151.306</b>                          | <b>82.564</b>                           |
| 23.1 Profit/Loss of the Group  |                              | 151.306                                 | 82.564                                  |
| 23.2 Profit/Loss of Minority Shareholders  |                              | -                                       | -                                       |
| Earning/(Loss) per share (in TL full)  |                              | 0,12104                                 | 0,06605                                 |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 JUNE 2017**

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

| <b>ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>                     |                                       |   |   |
|---|---------------------------------------|---|---|
| <b>INCOME AND EXPENSE ITEMS</b>   | <b>Note<br/>(Section<br/>Five IV)</b> | <b>THOUSAND OF TURKISH LIRA</b>               |   |
|   |                                       | <b>Prior Period<br/>01/01/2017-30/06/2017</b> | <b>Current Period<br/>01/04/2017-30/06/2017</b> |
| <b>I. PROFIT SHARE INCOME</b>   | <b>(1)</b>                            | <b>393.267</b>                                | <b>212.715</b>                                  |
| 1.1 Profit share on loans   |                                       | 351.445                                       | 191.527   |
| 1.2 Profit share on reserve deposits  |                                       | 6.398   | 3.458   |
| 1.3 Profit share on banks   |                                       | -   | -   |
| 1.4 Profit share on money market placements   |                                       | -   | -   |
| 1.5 Profit share on marketable securities portfolio   |                                       | 21.088  | 10.474  |
| 1.5.1 Fair Value Through Profit or Loss   |                                       | -   | -   |
| 1.5.2 Fair Value Through Other Comprehensive Income   |                                       | -   | -   |
| 1.5.3 Measured at Amortized Cost  |                                       | 21.088  | 10.474  |
| 1.5.4 Profit share on held to maturity securities   |                                       | -   | -   |
| 1.6 Finance lease income  |                                       | 13.728  | 6.804   |
| 1.7 Other profit share income   |                                       | 608   | 452   |
| <b>II. PROFIT SHARE EXPENSE</b>   | <b>(2)</b>                            | <b>211.883</b>                                | <b>119.110</b>                                  |
| 2.1 Expense on profit sharing accounts  |                                       | 186.987                                       | 104.101   |
| 2.2 Profit share expense on funds borrowed  |                                       | 16.975  | 10.049  |
| 2.3 Profit share expense on money market borrowings   |                                       | 1.524   | 1.146   |
| 2.4 Expense on securities issued  |                                       | 6.397   | 3.814   |
| 2.5 Other profit share expense  |                                       | -   | -   |
| <b>III. NET PROFIT SHARE INCOME (I - II)</b>  |                                       | <b>181.384</b>                                | <b>93.605</b>                                   |
| <b>IV. NET FEES AND COMMISSIONS INCOME/EXPENSE</b>  |                                       | <b>13.767</b>                                 | <b>7.708</b>                                    |
| 4.1 Fees and commissions received   |                                       | 19.484  | 10.890  |
| 4.1.1 Non-cash loans  |                                       | 14.914  | 8.285   |
| 4.1.2 Other   |                                       | 4.570   | 2.605   |
| 4.2 Fees and commissions paid   |                                       | 5.717   | 3.182   |
| 4.2.1 Non-cash loans  |                                       | -   | -   |
| 4.2.2 Other   |                                       | 5.717   | 3.182   |
| <b>V. DIVIDEND INCOME</b>   | <b>(3)</b>                            | <b>-</b>                                      | <b>-</b>  |
| <b>VI. TRADING INCOME /(LOSS) (Net)</b>   | <b>(4)</b>                            | <b>5.555</b>                                  | <b>1.861</b>                                    |
| 6.1 Capital market transaction gains / (losses)   |                                       | (8)   | (8)   |
| 6.2 Gains/ (losses) from derivative financial instruments                                       |                                       | (8.849)                                       | (8.061)   |
| 6.3 Foreign exchange gains / (losses)   |                                       | 14.412  | 9.930   |
| <b>VII. OTHER OPERATING INCOME</b>  | <b>(5)</b>                            | <b>1.855</b>                                  | <b>192</b>                                      |
| <b>VIII. GROSS OPERATING INCOME (III+IV+V+VI+VII+VIII)</b>                                      |                                       | <b>202.561</b>                                | <b>103.366</b>                                  |
| <b>IX. EXPECTED CREDIT LOSS (-)</b>   | <b>(6)</b>                            | <b>41.950</b>                                 | <b>17.646</b>                                   |
| <b>X. OTHER OPERATING EXPENSES (-)</b>  | <b>(7)</b>                            | <b>90.988</b>                                 | <b>48.534</b>                                   |
| <b>XI. NET OPERATING INCOME/(LOSS) (VIII-IX-X)</b>  |                                       | <b>69.623</b>                                 | <b>37.186</b>                                   |
| <b>XII. EXCESS AMOUNT RECORDED AS INCOME AFTER MERGER</b>                                       |                                       | <b>-</b>                                      | <b>-</b>  |
| <b>XIII. INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b> |                                       | <b>-</b>                                      | <b>-</b>  |
| <b>XIV. INCOME/(LOSS) ON NET MONETARY POSITION</b>  |                                       | <b>-</b>                                      | <b>-</b>  |
| <b>XV. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)</b>                        | <b>(8)</b>                            | <b>69.623</b>                                 | <b>37.186</b>                                   |
| <b>XVI. TAX PROVISION FOR CONTINUED OPERATIONS (±)</b>  | <b>(9)</b>                            | <b>(15.953)</b>                               | <b>(8.636)</b>                                  |
| 16.1 Current Tax Provision  |                                       | (18.546)                                      | (8.938)   |
| 16.2 Deferred Tax provision   |                                       | 2.593   | 302   |
| <b>XVII. CURRENT PERIOD PROFIT/LOSS FROM CONTINUED OPERATIONS (XVI±XVII)</b>                    | <b>(10)</b>                           | <b>53.670</b>                                 | <b>28.550</b>                                   |
| <b>XVIII. INCOME FROM DISCONTINUED OPERATIONS</b>   |                                       | <b>-</b>                                      | <b>-</b>  |
| 18.1 Income on assets held for sale   |                                       | -   | -   |
| 18.2 Income on sale of associates, subsidiaries and jointly controlled entities (joint vent.)   |                                       | -   | -   |
| 18.3 Income on other discontinued operations  |                                       | -   | -   |
| <b>XIX. EXPENSES FOR DISCONTINUED OPERATIONS (-)</b>  |                                       | <b>-</b>                                      | <b>-</b>  |
| 19.1 Expenses for Non-current Assets Held for Sale  |                                       | -   | -   |
| 19.2 Loss on sale of associates, subsidiaries and jointly controlled entities (joint vent.)     |                                       | -   | -   |
| 19.3 Expenses for Other Discontinued Operations   |                                       | -   | -   |
| <b>XX. PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XIX-XX)</b>                         |                                       | <b>-</b>                                      | <b>-</b>  |
| <b>XXI. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>                                       |                                       | <b>-</b>                                      | <b>-</b>  |
| 21.1 Current tax provision  |                                       | -   | -   |
| 21.2 Deferred Tax provision   |                                       | -   | -   |
| <b>XXII. CURRENT PERIOD PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)</b>                 |                                       | <b>-</b>                                      | <b>-</b>  |
| <b>XXIII. NET INCOME/(LOSS) (XVII+XXIII)</b>  | <b>(11)</b>                           | <b>53.670</b>                                 | <b>28.550</b>                                   |
| 23.1 Profit/Loss of the Group   |                                       | 53.670  | 28.550  |
| 23.2 Profit/Loss of Minority Shareholders   |                                       | -   | -   |
| Earning/(Loss) per share (in TL full)   |                                       | 0,07185                                       | 0,03825   |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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 JUNE 2018

(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                             |   |
|---|---|
| THOUSAND OF TURKISH LIRA  |   |
|   | Current Period<br>01/01/2018-30/06/2018 |
| <b>I. CURRENT PERIOD INCOME/LOSS</b>  | <b>151.306</b>                          |
| <b>II. OTHER COMPREHENSIVE INCOME</b>   | <b>(16.688)</b>                         |
| <b>2.1 Not Reclassified Through Profit or Loss</b>  | <b>-</b>                                |
| 2.1.1 Property and Equipment Revaluation Increase/Decrease  | -                                       |
| 2.1.2 Intangible Assets Revaluation Increase/Decrease   | -                                       |
| 2.1.3 Defined Benefit Pension Plan Remeasurement Gain/Loss  | -                                       |
| 2.1.4 Other Comprehensive Income Items Not Reclassified Through Profit or Loss  | -                                       |
| 2.1.5 Tax Related Other Comprehensive Income Items Not Reclassified Through Profit or Loss                                      | -                                       |
| <b>2.2 Reclassified Through Profit or Loss</b>  | <b>(16.688)</b>                         |
| 2.2.1 Foreign Currency Translation Differences  | -                                       |
| 2.2.2 Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income | (21.412)                                |
| 2.2.3 Cash Flow Hedge Income/Loss   | -                                       |
| 2.2.4 Foreign Net Investment Hedge Income/Loss  | -                                       |
| 2.2.5 Other Comprehensive Income Items Reclassified Through Profit or Losses  | -                                       |
| 2.2.6 Tax Related Other Comprehensive Income Items Reclassified Through Profit or Loss  | 4.724                                   |
| <b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>   | <b>134.618</b>                          |

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2017**

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

| <b>IV. CONSOLIDATED STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY</b>  |   |
|--|---|
| <b>THOUSAND OF TURKISH LIRA</b>  | <b>Prior Period<br/>01/01/2017-30/06/2017</b> |
| <b>I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS</b>   | <b>(3.262)</b>                                |
| <b>II. TANGIBLE ASSETS REVALUATION DIFFERENCES</b>   | <b>-</b>                                      |
| <b>III. INTANGIBLE ASSETS REVALUATION DIFFERENCES</b>  | <b>-</b>                                      |
| <b>IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I</b>  | <b>-</b>                                      |
| <b>V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b>                       | <b>-</b>                                      |
| <b>VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)</b> | <b>-</b>                                      |
| <b>VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES</b>  | <b>-</b>                                      |
| <b>VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS</b>   | <b>-</b>                                      |
| <b>IX. DEFERRED TAX OF VALUATION DIFFERENCES</b>   | <b>244</b>                                    |
| <b>X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)</b>   | <b>(3.018)</b>                                |
| <b>XI. PROFIT/LOSS</b>   | <b>53.670</b>                                 |
| 11.1 Change in fair value of marketable securities (transfer to profit/loss)   | -   |
| 11.2 Reclassification of derivatives accounted for cash flow hedge purposes to statement of profit or loss   | -   |
| 11.3 Reclassification of hedge of net investments in foreign operations to statement of profit or loss   | -   |
| 11.4 Other   | 53.670  |
| <b>XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X+XI)</b>  | <b>50.652</b>                                 |

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED 30 JUNE 2018

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

| CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY |   |                 |               |  |                        |   |   |   |  |   |  |                 |                               |  |                   |                            |
|--|---|-----------------|---------------|--|------------------------|---|---|---|--|---|--|-----------------|-------------------------------|--|-------------------|----------------------------|
|  |   | Paid-in capital | Share Premium | Share certificate cancellation profits | Other Capital Reserves | Accumulated Revaluation Increase/Decrease of Fixed Assets | Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan | Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumated 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 Accumated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss) | Profit Reserves | Prior Period Profit or (Loss) | Total Equity Except from Minority Interest | Minority Interest | Total Shareholders' Equity |
| CURRENT PERIOD   |   |                 |               |  |                        |   |   |   |  |   |  |                 |                               |  |                   |                            |
| 1 January-30 June 2018                                     |   |                 |               |  |                        |   |   |   |  |   |  |                 |                               |  |                   |                            |
| I.   | Prior Period End Balance  | 1.250.000       | -             | -                                      | -                      | -   | -   | -   | -  | (14.912)  | -  | 9.691           | 158.902                       | -  | -                 | 1.403.681                  |
| II.  | Corrections and Accounting Policy Changes Made According to TAS 8 | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | 25.660                        | -  | -                 | 25.660                     |
| 2.1  | Effects of Corrections  | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| 2.2  | Effects of the Changes in Accounting Policies                     | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | 25.660                        | -  | -                 | 25.660                     |
| III.   | Adjusted Beginning Balance (I+II)                                 | 1.250.000       | -             | -                                      | -                      | -   | -   | -   | -  | (14.912)  | -  | 9.691           | 184.562                       | -  | -                 | 1.429.341                  |
| IV.  | Total Comprehensive Income  | -               | -             | -                                      | -                      | -   | -   | -   | -  | (16.688)  | -  | -               | -                             | 151.306                                    | -                 | 134.618                    |
| V.   | Capital Increase by Cash  | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| VI.  | Capital Increase by Internal Sources                              | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| VII.   | Paid-in capital inflation adjustment difference                   | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| VIII.  | Convertible Bonds to Shares                                       | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| IX.  | Subordinated Debt Instruments                                     | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| X.   | Increase/Decrease by Other Changes                                | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| XI.  | Profit Distribution   | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | 148.902         | (158.902)                     | -  | -                 | (10.000)                   |
| 11.1   | Dividends paid  | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | (10.000)                      | -  | -                 | (10.000)                   |
| 11.2   | Transfers to Reserves   | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | -               | -                             | -  | -                 | -                          |
| 11.3   | Other   | -               | -             | -                                      | -                      | -   | -   | -   | -  | -   | -  | 148.902         | (148.902)                     | -  | -                 | -                          |
|  | Period-End Balance  |                 |               |  |                        |   |   |   |  |   |  |                 |                               |  |                   |                            |
|  | (I+II+III+...+XVI+XVII+XVIII)                                     | 1.250.000       | -             | -                                      | -                      | -   | -   | -   | -  | (31.600)  | -  | 158.593         | 25.660                        | 151.306                                    | -                 | 1.553.959                  |

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

# ZİRAAT KATILIM BANKASI A.Ş.

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY FOR THE PERIOD ENDED 30 JUNE 2017

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

| CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY |   |                    |   |                  |   |   |                   |                       |                      |                  |   |  |  |  |                                     |                       |  |                    |                 |
|--|---|--------------------|---|------------------|---|---|-------------------|-----------------------|----------------------|------------------|---|--|--|--|-------------------------------------|-----------------------|--|--------------------|-----------------|
| THOUSAND TURKISH LIRA                                      |   |                    | Effect of<br>inflation<br>accounting<br>on paid-in<br>capital and other<br>capital reserves |                  | Share<br>certificate<br>cancellation<br>profits i |   | Legal<br>reserves | Statutory<br>reserves | Extraordi<br>reserve | Other<br>reserve | Current<br>period<br>net income /<br>(loss) | Prior period<br>net income /<br>(loss) | Marketable<br>securities<br>revaluation<br>reserve | Tangible<br>and<br>intangible<br>assets<br>revaluation<br>fund | Bonus<br>shares from<br>investments | Hedging<br>reserves i | Asset held<br>for sale and<br>disc.op.<br>valuation<br>fund. | Minority<br>Shares | Total<br>equity |
|  | Prior Period<br>1 January - 30 June 2017                            | Paid-in<br>capital |   | Share<br>Premium |   |   |                   |                       |                      |                  |   |  |  |  |                                     |                       |  |                    |                 |
| I.   | Balances at the beginning of the period                             | 747.000            | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | 18.691                                 | (1.070)  | -  | -                                   | -                     | -  | -                  | 764.621         |
|  | Changes in the period   | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| II.  | Increase / decrease related to mergers                              | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| III.   | Valuation difference of available-for-sale securities               | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | (3.018)  | -  | -                                   | -                     | -  | -                  | (3.018)         |
| IV.  | Hedging transactions (effective portion)                            | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 4.1  | Cash flow hedge   | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 4.2  | Hedging of a net investment in foreign subsidiaries                 | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| V.   | Revaluation fund on tangible assets                                 | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| VI.  | Revaluation fund on intangible assets                               | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| VII.   | Capital bonus of associates, subsidiaries and joint ventures        | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| VIII.  | Foreign exchange differences  | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| IX.  | Changes related to sale of assets                                   | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| X.   | Changes related to reclassification of assets                       | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XI.  | Effect of changes in equities of associates                         | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XII.   | Capital increase  | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 12.1   | Cash  | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 12.2   | Domestic sources  | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XIII.  | Issuances of share certificates                                     | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XIV.   | Abolition profit of share certificates                              | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XV.  | Capital reserves from inflation adjustments to paid-in capital      | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XVI.   | Others  | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| XVII.  | Current period net profit / loss                                    | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | 53.670                                      | -                                      | -  | -  | -                                   | -                     | -  | -                  | 53.670          |
| XVIII.   | Profit distribution   | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 18.1   | Dividends   | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 18.2   | Transferred to reserves   | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
| 18.3   | Others  | -                  | -   | -                | -   | - | -                 | -                     | -                    | -                | -   | -                                      | -  | -  | -                                   | -                     | -  | -                  | -               |
|  | Balance at the end of the period<br>(I+II+III+.....+XVI+XVII+XVIII) | 747.000            | -   | -                | -   | - | -                 | -                     | -                    | -                | 53.670                                      | 18.691                                 | (4.088)  | -  | -                                   | -                     | -  | -                  | 815.273         |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2018**

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

| <b>ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS</b>                   |                                    |   |
|---|------------------------------------|---|
|   | <b>Note<br/>(Section<br/>Five)</b> | <b>THOUSAND OF TURKISH LIRA</b>                   |
|   |                                    | <b>Current Period<br/>01/01/2018 - 30/06/2018</b> |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |                                    |   |
| 1.1 Operating profit before changes in operating assets and liabilities)                  |                                    | <b>(82.407)</b>                                   |
| 1.1.1 Profit share income received  |                                    | 768.006   |
| 1.1.2 Profit share expense paid   |                                    | (441.034)   |
| 1.1.3 Dividend received   |                                    | 177   |
| 1.1.4 Fees and commissions received   |                                    | 32.896  |
| 1.1.5 Other income  |                                    | 8.075   |
| 1.1.6 Collections from previously written off loans                                       |                                    | 12.834  |
| 1.1.7 Payments to personnel and service suppliers   |                                    | (63.319)  |
| 1.1.8 Taxes paid  |                                    | (20.946)  |
| 1.1.9 Others  |                                    | (379.096)   |
| <b>1.2 Changes in operating assets and liabilities</b>                                    |                                    | <b>1.169.141</b>                                  |
| 1.2.1 Net (increase)/ decrease in held for trading financial assets                       |                                    | (5.804)   |
| 1.2.2 Net (increase)/ decrease in fair value through profit/loss financial assets         |                                    | (221.463)   |
| 1.2.3 Net (increase)/ decrease in due from banks and other financial institutions         |                                    | (2.783.967)                                       |
| 1.2.4 Net (increase)/ decrease in loans   |                                    | (9.664)   |
| 1.2.5 Net (increase)/ decrease in other assets  |                                    | 35.397  |
| 1.2.6 Net increase/ (decrease) in bank deposits   |                                    | 3.345.657   |
| 1.2.7 Net increase/ (decrease) in other deposits  |                                    | -   |
| 1.2.8 Net increase/ (decrease) in funds borrowed  |                                    | (256.584)   |
| 1.2.9 Net increase/ (decrease) in due payables  |                                    | -   |
| 1.2.10 Net increase/ (decrease) in other liabilities                                      |                                    | 1.065.569   |
| <b>I. Net cash provided from banking operations</b>                                       |                                    | <b>1.086.734</b>                                  |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                    |   |
| <b>II. Net cash provided from investing activities</b>                                    |                                    | <b>(346.346)</b>                                  |
| 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 Fixed assets purchases  |                                    | (17.061)  |
| 2.4 Fixed assets sales  |                                    | -   |
| 2.5 Cash paid for purchase of financial assets available for sale                         |                                    | (329.285)   |
| 2.6 Cash obtained from sale of financial assets available for sale                        |                                    | -   |
| 2.7 Cash paid for purchase of investment securities                                       |                                    | -   |
| 2.8 Cash obtained from sale of investment securities                                      |                                    | -   |
| 2.9 Other   |                                    | -   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                    |   |
| <b>III. Net cash provided from financing activities</b>                                   |                                    | <b>(260.218)</b>                                  |
| 3.1 Cash obtained from funds borrowed and securities issued                               |                                    | 775.000   |
| 3.2 Cash used for repayment of funds borrowed and securities issued                       |                                    | (1.036.167)                                       |
| 3.3 Marketable Securities Issued  |                                    | -   |
| 3.4 Dividends paid  |                                    | -   |
| 3.5 Payments for finance leases   |                                    | (4.887)   |
| 3.6 Other   |                                    | 5.836   |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>         |                                    | <b>145.287</b>                                    |
| <b>V. Net increase (decrease) in cash and cash equivalents (I+II+III+IV)</b>              |                                    | <b>625.457</b>                                    |
| <b>VI. Cash and cash equivalents at the beginning of the period</b>                       |                                    | <b>601.801</b>                                    |
| <b>VII. Cash and cash equivalents at the end of the period</b>                            |                                    | <b>1.227.258</b>                                  |

As noted in Section three-note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

**ZİRAAT KATILIM BANKASI A.Ş.****CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2017**

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

| <b>ZİRAAT KATILIM BANKASI A.Ş. CONSOLIDATED STATEMENT OF CASH FLOWS</b>                   |                                    |   |
|---|------------------------------------|---|
|   | <b>Note<br/>(Section<br/>Five)</b> | <b>THOUSAND OF TURKISH LIRA</b>                 |
|   |                                    | <b>Prior Period<br/>01/01/2017 - 30/06/2017</b> |
| <b>A. CASH FLOWS FROM BANKING OPERATIONS</b>  |                                    |   |
| 1.1 Operating profit before changes in operating assets and liabilities)                  |                                    | <b>68.603</b>                                   |
| 1.1.1 Profit share income received  |                                    | 356.473   |
| 1.1.2 Profit share expense paid   |                                    | (193.600)                                       |
| 1.1.3 Dividend received   |                                    | -   |
| 1.1.4 Fees and commissions received   |                                    | 19.484  |
| 1.1.5 Other income  |                                    | 408   |
| 1.1.6 Collections from previously written off loans                                       |                                    | 189   |
| 1.1.7 Payments to personnel and service suppliers   |                                    | (40.763)  |
| 1.1.8 Taxes paid  |                                    | (9.607)   |
| 1.1.9 Others  |                                    | (63.981)  |
| <b>1.2 Changes in operating assets and liabilities</b>                                    |                                    | <b>(198.005)</b>                                |
| 1.2.1 Net (increase)/decrease in held for trading financial assets                        |                                    | 1.137   |
| 1.2.2 Net (increase)/ decrease in fair value through profit/loss financial assets         |                                    | -   |
| 1.2.3 Net (increase)/ decrease in due from banks and other financial institutions         |                                    | (483.705)                                       |
| 1.2.4 Net (increase)/ decrease in loans   |                                    | (2.414.411)                                     |
| 1.2.5 Net (increase)/ decrease in other assets  |                                    | (57.504)  |
| 1.2.6 Net increase/ (decrease) in bank deposits   |                                    | 63.038  |
| 1.2.7 Net increase/ (decrease) in other deposits  |                                    | 1.678.477                                       |
| 1.2.8 Net increase/ (decrease) in funds borrowed  |                                    | 489.032   |
| 1.2.9 Net increase/ (decrease) in due payables  |                                    | -   |
| 1.2.10 Net increase/ (decrease) in other liabilities                                      |                                    | 525.931   |
| <b>I. Net cash provided from banking operations</b>                                       |                                    | <b>(129.402)</b>                                |
| <b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                                    |   |
| <b>II. Net cash provided from investing activities</b>                                    |                                    | <b>(95.499)</b>                                 |
| 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 Fixed assets purchases  |                                    | (7.282)   |
| 2.4 Fixed assets sales  |                                    | -   |
| 2.5 Cash paid for purchase of financial assets available for sale                         |                                    | (88.217)  |
| 2.6 Cash obtained from sale of financial assets available for sale                        |                                    | -   |
| 2.7 Cash paid for purchase of investment securities                                       |                                    | -   |
| 2.8 Cash obtained from sale of investment securities                                      |                                    | -   |
| 2.9 Other   |                                    | -   |
| <b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                                    |   |
| <b>III. Net cash provided from financing activities</b>                                   |                                    | <b>94.740</b>                                   |
| 3.1 Cash obtained from funds borrowed and securities issued                               |                                    | 300.000   |
| 3.2 Cash used for repayment of funds borrowed and securities issued                       |                                    | (205.260)                                       |
| 3.3 Marketable Securities Issued  |                                    | -   |
| 3.4 Dividends paid  |                                    | -   |
| 3.5 Payments for finance leases   |                                    | -   |
| 3.6 Other   |                                    | -   |
| <b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>         |                                    | <b>25.565</b>                                   |
| <b>V. Net increase/ (decrease) in cash and cash equivalents (I+II+III+IV)</b>             |                                    | <b>(104.596)</b>                                |
| <b>VI. Cash and cash equivalents at the beginning of the period</b>                       |                                    | <b>1.114.258</b>                                |
| <b>VII. Cash and cash equivalents at the end of the period</b>                            |                                    | <b>1.009.662</b>                                |

As noted in Section three note I current period financial statements are prepared in accordance with the accounting policies different from the accounting policies which have been used in prior period financial statements. Therefore prior period financial statements and notes have not been restated. Prior period financial statements are presented separately.

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**SECTION THREE  
ACCOUNTING PRINCIPLES**

**I. BASIS OF PRESENTATION**

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

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**

As of 1 January 2018 the Parent Bank has applied TFRS 9 Financial Instruments (“TFRS 9”) published by POA according to “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 for the first time in attached consolidated financial statements. Prior period financial statements and notes were not restated in accordance with the transition provisions of TFRS 9. Therefore, the impact of the first application of standard has been reflected to Prior years' profit or loss and attached financial statements are presented separately rather than comparatively. TFRS 9 has been in effect as of 1 January 2018, the impact on opening balances are presented in Note XXIV of Section Three.

TFRS 15 Revenue from Contracts with Customers and other TAS/TFRS changes have not significant impact on Parent Bank's accounting policies, financial position and performance.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

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 in the income statement 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 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.

**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. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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)

In accordance with the full consolidation method, balance sheet, income statement and off balance sheet items of the subsidiaries have been 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.

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

| 30 June 2018                        |                          |                        |                                    |   |
|-------------------------------------|--------------------------|------------------------|------------------------------------|---|
| Title                               | Address (City / Country) | Main Activities        | Parent Bank's Share Percentage (%) | Parent Bank's Risk Group Share Percentage (%) |
| Ziraat Katılım Varlık Kiralama A.Ş. | Istanbul/Turkey          | Rent Certificate Issue | 100                                | 100   |
| ZKB Varlık Kiralama A.Ş.            | Istanbul/Turkey          | Rent Certificate Issue | 100                                | 100   |

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

#### 2. Consolidation principles of associates and joint ventures:

As of the date of 30 June 2018, there is no jointly controlled subsidiaries.

#### 3. Principles applied during share transfer, merger and acquisition: None.

#### 4. Transactions with minority shareholders: None.

#### b. Presentation of unconsolidated subsidiaries and associates in consolidated financial statements:

There is no subsidiaries and associates within the scope of The Parent's Bank consolidation.

#### 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 "IFRS 9 Financial Instruments" ("IFRS 9"), "Derivative Financial Assets at Fair Value through Profit or Loss" or "Derivative Financial Assets at Fair Value through Other Comprehensive Income".

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENT (Continued)**

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

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

**V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE**

Profit share incomes are recognized in accordance with internal rate of return method. The Parent 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 and non-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**

As TFRS 9 has been put into effect on 1 January 2018, the Parent Bank’s accounting policy for financial instruments is summarized as follows.

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

The Parent 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 income statement.

The Parent Bank does not have any financial assets classified as “Financial Assets at Fair Value Through Profit or Loss”.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**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.

Equity securities, which are classified as financial assets at fair value through other comprehensive income, that have a quoted market price in an active market and whose fair values can be reliably measured are carried at fair value. Equity securities that do not have a quoted market price in an active market and whose fair values cannot be reliably measured are carried at cost, less provision for impairment.

Regarding the banking operations of Parent Bank, there exist ineffective shares of Kredi Garanti Fonu. The related investments are classified under financial assets at fair value through other comprehensive income and are carried out at book value. The reason to explain the necessary action is the inability to reliably measure the subject asset type at fair value.

**c. Financial assets 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.

The Parent Bank does not have any financial assets classified as "Financial Assets at Amortized Cost".

**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".

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Parent 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 Parent Bank at installment date.

Parent Bank's loans are recorded under the "Measured at Amortized Cost" account.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS**

**Impairment for expected loss**

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.

12 Month Expected Credit Losses (Stage 1), Lifetime Expected Credit Losses (Stage 2 and 3), is applied when a significant increase in credit risk occurs. 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. Impairment for credit risk is determined on the basis of the instrument’s lifetime expected credit losses.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS (Continued)**

*Credit-impaired losses (stage 3 / special provision)*

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

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.

**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 raise funds.

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**ACCOUNTING PRINCIPLES (Continued)**

**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 Bank’s receivables are shown at the fixed 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 June 2018, the Parent Bank’s held for sale assets is TL 4.259 (31 December 2017: TL 3.561).

**XII. EXPLANATIONS ON GOODWILL AND OTHER INTANGIBLE ASSETS**

As of the balance sheet date, the Group 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 Group 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 that are held for sale.

**XIV. EXPLANATIONS ON LEASING TRANSACTIONS**

*Group's transactions as a lessee*

The Parent Bank, as the lessee, recognizes its leasing operations in accordance with the requirements of TAS 17 "Leases". Fixed assets that are acquired under financial leasing are amortized with respect to the rates used for directly acquired assets that have similar nature. Assets held under financial leases are recognized under the tangible fixed assets account and are depreciated on annual and monthly basis with respect to their useful lives. Principal and installment paid for tangible fixed assets that are acquired under financial leasing are charged to liability account "Finance Lease Payable", whereas interests are recognized in "Deferred Financial Leasing Expenses" account. At installment payments, principal and interest amount of installment amount are debited to "Financial Lease Payable" account, whereas interest is credited in "Deferred Financial Leasing Expenses" account and recorded to the "Other Profit Share Expenses".

*Group's transactions as a lessor*

The Parent Bank presents finance leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding.



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

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

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

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

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

**XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS**

**a. Employment termination and vacation benefits**

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

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

The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The 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 June 2018, the Parent Bank’s employee termination benefit is TL 3.111 (31 December 2017: TL 2.330).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 30 June 2018 unused vacation liability of the Parent Bank is TL 3.547 (31 December 2017: TL 2.389).

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 20<sup>th</sup> provisional article of Social Security Law Act numbered 506. As of 30 June 2018 the number of beneficiaries of the Fund from the Bank (except the dependents), is 710. 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 9,8%. Moreover, after the transfer to SSI, the unfulfilled other social rights and payments existed in the settlement deeds of the subjected pension funds of the transferred participants, members or the rightful owners will be continued to be fulfilled by the employer entities of the funds and its participants.

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

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

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

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**ACCOUNTING PRINCIPLES (Continued)**

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

**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 2017 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. 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)**

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

**b. Deferred tax**

In accordance with TAS 12 “Turkish Accounting Standards Relating to Income Tax”, 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 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 IPO and the Parent 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 Group 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.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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#### ACCOUNTING PRINCIPLES (Continued)

#### XXIV. EXPLANATIONS ON OTHER MATTERS

##### Adoption of TFRS 9 financial instruments:

TFRS 9 "Financial Instruments", which is effective as at 1 January 2018 is published by the Public Oversight Accounting and Auditing Standards Authority ("POA") in the Official Gazette numbered 29953 dated 19 January 2017.

TFRS 9 sets out the new principles for the classification and measurement of financial instruments, impairment for credit risk on financial assets and general hedge accounting.

According to TFRS 9 requirements, classification and measurement of financial assets will depend on the business model within which financial assets are managed and their contractual cash flow characteristics whether the cash flows represent "solely payments of principal and interest.

Explanations on the impact of TFRS 9 implementation of the Parent Bank are below.

##### Reconciliation of statement of financial position balances to TFRS 9

| ASSETS  | 31.12.2017        | TFRS-9<br>Reclassification<br>impact | TFRS-9<br>Remeasurement<br>impact | 01.01.2018        |
|---|-------------------|--------------------------------------|-----------------------------------|-------------------|
| <b>FINANCIAL ASSETS (Net)</b>   | <b>2.446.480</b>  | <b>(792)</b>                         | <b>531</b>                        | <b>2.446.219</b>  |
| Cash and Cash equivalent  | 1.922.270         | -                                    | -                                 | 1.922.270         |
| Cash and Central Bank   | 1.643.689         | -                                    | -                                 | 1.643.689         |
| Banks   | 278.581           | -                                    | -                                 | 278.581           |
| Money Markets Receivables   | -                 | -                                    | -                                 | -                 |
| Financial assets at fair value through profit and loss                  | -                 | -                                    | -                                 | -                 |
| Financial assets at fair value through other comprehensive income       | 524.173           | -                                    | -                                 | 524.173           |
| Financial Assets measured by amortized cost                             | -                 | -                                    | -                                 | -                 |
| Derivative financial assets   | 37                | -                                    | -                                 | 37                |
| Non-performing financial assets   | -                 | -                                    | -                                 | -                 |
| Expected Loss Provision (-)   | -                 | 792                                  | (531)                             | 261               |
| <b>LOANS (Net)</b>  | <b>11.747.688</b> | <b>(98.291)</b>                      | <b>62.130</b>                     | <b>11.711.527</b> |
| <b>Loans</b>  | <b>11.747.688</b> | <b>-</b>                             | <b>-</b>                          | <b>11.747.688</b> |
| Measured by amortized cost  | 11.730.935        | -                                    | -                                 | 11.730.935        |
| Non-performing receivables  | 34.841            | -                                    | -                                 | 34.841            |
| Expected Loss Provision (-)   | 18.088            | 98.291                               | (62.130)                          | 54.249            |
| Expected Loss Provision for 12 months (Stage 1)                         | -                 | 97.427                               | (66.180)                          | 31.247            |
| Significant increase of credit risk (Stage 2)                           | -                 | 864                                  | 1.593                             | 2.457             |
| Credit-impaired Losses (Stage 3/Special Provisions)                     | 18.088            | -                                    | 2.457                             | 20.545            |
| <b>FIXED ASSETS HELD FOR SALE AND<br/>DISCONTINUED OPERATIONS (NET)</b> | <b>3.561</b>      | <b>-</b>                             | <b>-</b>                          | <b>3.561</b>      |
| <b>EQUITY INVESTMENTS</b>   | <b>-</b>          | <b>-</b>                             | <b>-</b>                          | <b>-</b>          |
| Investments in Associates (Net)   | -                 | -                                    | -                                 | -                 |
| Subsidiaries (Net)  | -                 | -                                    | -                                 | -                 |
| Joint Ventures (Net)  | -                 | -                                    | -                                 | -                 |
| <b>TANGIBLE ASSETS (Net)</b>  | <b>47.235</b>     | <b>-</b>                             | <b>-</b>                          | <b>47.235</b>     |
| <b>INTANGIBLE ASSETS (Net)</b>  | <b>63.280</b>     | <b>-</b>                             | <b>-</b>                          | <b>63.280</b>     |
| <b>INVESTMENT PROPERTY (Net)</b>  | <b>-</b>          | <b>-</b>                             | <b>-</b>                          | <b>-</b>          |
| <b>OTHER ASSETS</b>   | <b>41.795</b>     | <b>-</b>                             | <b>-</b>                          | <b>41.795</b>     |
| <b>TOTAL ASSETS</b>   | <b>14.350.039</b> | <b>(99.083)</b>                      | <b>62.661</b>                     | <b>14.313.617</b> |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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#### ACCOUNTING PRINCIPLES (Continued)

#### XXIV. EXPLANATIONS ON OTHER MATTERS (Continued)

##### Reconciliation of the opening balances of the provision for expected credit losses to TFRS 9:

|   | Book value before<br>TFRS 9<br>31 December 2017 | Remeasurements  | Book value after<br>TFRS 9<br>1 January 2018 |
|---|---|-----------------|--|
| <b>Loans</b>                            | <b>116.379</b>                                  | <b>(62.130)</b> | <b>54.249</b>                                |
| Stage 1 <sup>(*)</sup>                  | 97.427  | (66.180)        | 31.247                                       |
| Stage 2 <sup>(*)</sup>                  | 864   | 1.593           | 2.457  |
| Stage 3                                 | 18.088  | 2.457           | 20.545                                       |
| <b>Financial Assets <sup>(**)</sup></b> | <b>792</b>                                      | <b>(531)</b>    | <b>261</b>                                   |
| <b>Non-cash Loans</b>                   | <b>9.701</b>                                    | <b>2.320</b>    | <b>12.021</b>                                |
| Stage 1 and 2                           | 8.111   | 2.030           | 10.141                                       |
| Stage 3                                 | 1.590   | 290             | 1.880  |
| <b>Total</b>                            | <b>126.872</b>                                  | <b>(60.341)</b> | <b>66.531</b>                                |

<sup>(\*)</sup> Represents general provisions for stage 1 and 2 loans before TFRS 9.

<sup>(\*\*)</sup> Within the scope of TFRS 9, provisions include provisions for Amortized Cost, Fair Value Through Other Comprehensive Income, Receivables from Banks and Receivables from Money Markets.

##### Explanations on prior period accounting policies not available for the current period

"TFRS 9 Financial Instruments" standard came into effect instead of "TAS 39 Financial Instruments: Recognition and Measurement" as of 1 January 2018. Accounting policies lost their validity with the transition of TFRS 9 are given below:

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

Financial Assets at the Fair Value Through Profit or Loss have two sub categories: "Trading Financial Assets" and "Financial Assets at Fair Value Through Profit/Loss".

Trading financial assets either acquired for generating profit from short-term fluctuations in the price or dealer's margin, are the financial assets included in a portfolio in which a pattern of short-term profit making exists independent from the acquisition purpose.

Financial assets held for trading are initially recognized at transaction prices which are assumed to reflect the fair value and subsequently measured at fair value. Gain or loss resulted from valuation of these financial assets are transferred to profit or loss accounts.

The Group has no financial assets at fair value through profit or loss.

##### b. Available-for-sale financial assets:

Available-for-sale financial assets refer to financial assets other than the ones classified as "loans and receivables", "held-to-maturity assets" or "financial assets at fair value through profit or loss".

Available for sale assets are initially recognized at cost value. The cost of the securities is recognized as fair value.

Available-for-sale financial assets are subsequently re-measured at fair value in financial statements.

The difference between fair value and cost of available for sale financial assets is booked as profit share income accrual or impairment provision. Furthermore, amortized cost using the internal rate of return method and cost value is compared and the difference is booked as profit share income or impairment expense. Fair value and amortized cost of these securities are compared and the difference is recognized in shareholders' equity as "Marketable Securities Value Increase Fund". When these financial assets are disposed of or impaired the related fair value differences accumulated in the shareholders' equity are transferred to the income statement.

When there is no price quotation in an active market for price formations to constitute the basis of the fair value or in such a situation when the reasonable value is not measured confidentially; the fair value of the available-for-sale financial assets are carried at amortized cost using the internal rate of return method or appropriate valuation methods.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**ACCOUNTING PRINCIPLES (Continued)**

**XXIV. EXPLANATIONS ON OTHER MATTERS (Continued)**

**Explanations on prior period accounting policies not valid for the current period (Continued)**

**c. Loans and receivables:**

Bank loans and receivables represent financial other than those held for trading or held for sale in a short period are not derivative financial instruments.

Loans and receivables are initially recognized at cost, and subsequently recognized at the amortized cost calculated using the internal rate of return method, Individual and corporate loans tracked in cash loans are recognized at their original amounts according to Uniform Chart of Accounts (“UCA”) and accounts determined in its prospects in line with their content.

Foreign currency indexed retail and commercial loans are converted to Turkish Lira at the rate on the lending date and they are followed under Turkish Lira (“TL”) accounts. Repayment amounts are calculated at the exchange rate on the repayment date and the foreign exchange differences are reflected in the profit/loss accounts.

**d. Held-to-maturity financial assets:**

Investments held to maturity are composed of financial assets that holding with keeping intention until maturity with the fulfilled relevant conditions and have fixed or determinable payments and fixed maturity other than loans and receivables.

Investments held to maturity are subsequently measured at amortized cost with internal rate of return, and they are accounted by setting forth provision for impairment loss (impairment loss expense) or by posting profit share income.

Held to maturity assets are initially recognized at cost value.



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

### SECTION FOUR

#### EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT

##### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 30 June 2018 current period capital amount of the Group is TL 1.981.973 (31 December 2017: TL 1.259.583), and capital adequacy standard ratio is 14,15% (31 December 2017: 13,06%).

##### Information Related To The Components of Consolidated Shareholders' Equity:

|   | Current Period<br>30.06.2018 | Amounts related<br>to treatment<br>before 1/1/2014(*) |
|---|------------------------------|---|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                              |   |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 1.250.000                    |   |
| Share issue premiums  | -                            |   |
| Reserves  | 158.593                      |   |
| Gains recognized in equity as per TAS   | 8.779                        |   |
| Profit  | 176.966                      |   |
| Current Period Profit   | 151.306                      |   |
| 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  | -                            |   |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>1.594.338</b>             |   |
| <b>Deductions from Common Equity Tier 1 Capital</b>   |                              |   |
| 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   | 40.379                       |   |
| Improvement costs for operating leasing   | 16.154                       |   |
| Goodwill (net of related tax liability)   | -                            |   |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 69.815                       |   |
| 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   | -                            |   |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>   | <b>126.348</b>               |   |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>1.467.990</b>             |   |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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<br>Period<br>30.06.2018 | Amounts related to<br>treatment before<br>1/1/2014(*) |
|---|---------------------------------|---|
| <b>ADDITIONAL TIER I CAPITAL</b>  |                                 |   |
| 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)   | -                               |   |
| <b>Additional Tier I Capital before Deductions</b>  | -                               |   |
| <b>Deductions from Additional Tier I Capital</b>  | -                               |   |
| 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   | -                               |   |
| <b>Transition from the Core Capital to Continue to deduce Components</b>  | -                               |   |
| 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 (-)  | -                               |   |
| <b>Total Deductions From Additional Tier I Capital</b>  | -                               |   |
| <b>Total Additional Tier I Capital</b>  | -                               |   |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>  | <b>1.467.990</b>                |   |
| <b>TIER II CAPITAL</b>  |                                 |   |
| Debt instruments and share issue premiums deemed suitable by the BRSA   | 500.000                         |   |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)   | -                               |   |
| Provisions (Article 8 of the Regulation on the Equity of Banks)   | 15.224                          |   |
| <b>Tier II Capital Before Deductions</b>  | <b>515.224</b>                  |   |
| <b>Deductions From Tier II Capital</b>  | <b>1.241</b>                    |   |
| 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 (-)   | 1.241                           |   |
| <b>Total Deductions from Tier II Capital</b>  | <b>1.241</b>                    |   |
| <b>Total Tier II Capital</b>  | <b>513.983</b>                  |   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>1.981.973</b>                |   |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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<br>30.06.2018 | Amounts related<br>to treatment<br>before 1/1/2014(*) |
|--|------------------------------|---|
| <b>Total of Original Capital and Supplementary Capital (Total Capital)</b>   |                              |   |
| Deductions from Capital Loans granted contrary to the 50th and 51th Article of the Law   | -                            |   |
| Net Book Values of Movables and Immovables Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years  | -                            |   |
| Other items to be defined by the BRSA (-)  | 1.241                        |   |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  |                              |   |
| 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 (-)                | -                            |   |
| <b>TOTAL CAPITAL</b>   |                              |   |
| Total Capital  | 1.981.973                    |   |
| Total risk weighted amounts  | 13.570.048                   |   |
| <b>Capital Adequacy Ratios</b>   |                              |   |
| Core Capital Adequacy Ratio  | 10,82                        |   |
| Tier I Capital Adequacy Ratio  | 10,82                        |   |
| Capital Adequacy Ratio   | 14,15                        |   |
| <b>BUFFERS</b>   |                              |   |
| <b>Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)</b>   | <b>1,88</b>                  |   |
| 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  | 6,32                         |   |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>   |                              |   |
| 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   | -                            |   |
| <b>Limits related to provisions considered in Tier II calculation</b>  |                              |   |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation)  | 15.224                       |   |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 15.224                       |   |
| 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   | -                            |   |
| <b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>   |                              |   |
| 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

(\*\*) Legal capital amount used in capital adequacy calculation which has been taken into consideration as not included BHFOR effect is TL 1.920.334.

(\*\*\*) With the decision of the Banking Regulation and Supervision Agency dated 25 January 2018 and numbered 7701, the amount of TL 500,000 transferred to the Parent Bank accounts for capital increase has been taken into consideration in the contribution capital account until the completion of the capital increase procedure.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

#### I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)

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

None.

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

The difference between Total Capital and Equity in the consolidated balance sheet mainly arises from expected credit loss provisions arising from loans classified under stage I and stage II and subordinated loans. In the calculation of Total Capital, up to 1,25% of general provision from stage 1 and stage 2 over the credit risk amount and subordinated loans with nominal amounts are taken into consideration as Tier II Capital. Additionally, the losses reflected to equity under TAS which is subject to deduction from TIER I capital are determined by excluding the losses from cash flow hedging. On the other hand, in the calculation of the Total Capital, improvement costs for operating leases followed under tangible assets in the balance sheet, intangible assets and related deferred tax liabilities, net book value of immovables that are acquired against overdue receivables and retained more than five years, other items defined by the regulator are taken into consideration as amounts deducted from Total Capital.

|   | Prior Period<br>31.12.2017 | Amounts related<br>to treatment<br>before 1/1/2014(*) |
|---|----------------------------|---|
| <b>COMMON EQUITY TIER 1 CAPITAL</b>   |                            |   |
| Paid-in capital following all debts in terms of claim in liquidation of the Bank  | 1.250.000                  | -   |
| Share issue premiums  | -                          | -   |
| Reserves  | 9.691                      | -   |
| Gains recognized in equity as per TAS   | -                          | -   |
| Profit  | 158.902                    | -   |
| Current Period Profit   | 158.902                    | -   |
| Prior Period Profit   | -                          | -   |
| Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period  | -                          | -   |
| <b>Common Equity Tier 1 Capital Before Deductions</b>   | <b>1.418.593</b>           | -   |
| <b>Deductions from Common Equity Tier 1 Capital</b>   |                            |   |
| 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   | 14.912                     | -   |
| Improvement costs for operating leasing   | 15.987                     | -   |
| Goodwill (net of related tax liability)   | -                          | -   |
| Other intangibles other than mortgage-servicing rights (net of related tax liability)   | 50.624                     | -   |
| 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  | -                          | -   |
| <b>Total Deductions From Common Equity Tier 1 Capital</b>   | <b>81.523</b>              | -   |
| <b>Total Common Equity Tier 1 Capital</b>   | <b>1.337.070</b>           | -   |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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<br>Period<br>31.12.2017 | Amounts related to<br>treatment before<br>1/1/2014(*) |
|---|-------------------------------|---|
| <b>ADDITIONAL TIER I CAPITAL</b>  |                               |   |
| 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)   | -                             |   |
| <b>Additional Tier I Capital before Deductions</b>  | -                             |   |
| <b>Deductions from Additional Tier I Capital</b>  | -                             |   |
| 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   | -                             |   |
| <b>Transition from the Core Capital to Continue to deduce Components</b>  | -                             |   |
| 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 (-)                                | 12.656                        |   |
| 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 (-)  | -                             |   |
| <b>Total Deductions From Additional Tier I Capital</b>  | <b>12.656</b>                 |   |
| <b>Total Additional Tier I Capital</b>  |                               |   |
| <b>Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)</b>  | <b>1.324.414</b>              |   |
| <b>TIER II CAPITAL</b>  |                               |   |
| Debt instruments and share issue premiums deemed suitable by the BRSA   | -                             |   |
| Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)   | -                             |   |
| Provisions (Article 8 of the Regulation on the Equity of Banks)   | 36.348                        |   |
| <b>Tier II Capital Before Deductions</b>  | <b>36.348</b>                 |   |
| <b>Deductions From Tier II Capital</b>  | -                             |   |
| 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 (-)   | -                             |   |
| <b>Total Deductions from Tier II Capital</b>  | -                             |   |
| <b>Total Tier II Capital</b>  | <b>36.348</b>                 |   |
| <b>Total Capital (The sum of Tier I Capital and Tier II Capital)</b>  | <b>1.360.762</b>              |   |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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<br>Period<br>31.12.2017 | Amounts related<br>to treatment<br>before 1/1/2014(*) |
|--|-------------------------------|---|
| <b>Total of Original Capital and Supplementary Capital ( Total Capital)</b>  |                               |   |
| 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 (-)  | 101.179                       |   |
| <b>In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components</b>  |                               |   |
| 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               | -                             |   |
| <b>TOTAL CAPITAL</b>   |                               |   |
| Total Capital  | 1.259.583                     |   |
| Total risk weighted amounts  | 9.643.419                     |   |
| <b>Capital Adequacy Ratios</b>   |                               |   |
| Core Capital Adequacy Ratio (%)  | 13,87                         |   |
| Tier I Capital Adequacy Ratio (%)  | 13,73                         |   |
| Capital Adequacy Ratio (%)   | 13,06                         |   |
| <b>BUFFERS</b>   |                               |   |
| <b>Bank specific total common equity tier I capital ratio (a+b+c)</b>  | <b>1,25</b>                   |   |
| a)Capital conservation buffer requirement  | 1,25                          |   |
| b)Bank specific counter-cyclical buffer requirement  | 0,00                          |   |
| c)Systemic significant bank buffer ratio   | 0,00                          |   |
| The ratio of Additional Common Equity Tier I 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 (%)  | 9,36                          |   |
| <b>Amounts below the Excess Limits as per the Deduction Principles</b>   |                               |   |
| 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   | -                             |   |
| <b>Limits related to provisions considered in Tier II calculation</b>  |                               |   |
| General provisions for standard based receivables (before tenthousandtwentyfive limitation)  | 36.348                        |   |
| Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used   | 36.348                        |   |
| 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   | -                             |   |
| <b>Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)</b>   |                               |   |
| 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

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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:

| Current Period                          | Balance Sheet value | Amount is taken into consideration of equity calculation |
|---|---------------------|--|
| Equity                                  | 1.553.959           | 1.553.959  |
| Improvement costs for operating leasing | 16.154              | (16.154)   |
| Goodwill and intangible assets          | 69.815              | (69.815)   |
| Expected loss provisions                | 45.082              | 15.224   |
| Subordinated loans                      | -                   | -  |
| Tier II capital (*)                     | 500.000             | 500.000  |
| Other values added from equity          | 1.241               | (1.241)  |
| Equity                                  |                     | 1.981.973  |

(\*) With the decision of the Banking Regulation and Supervision Agency dated 25 January , 2018 and numbered 7701, the amount of TL 500,000 transferred to the Parent Bank accounts for capital increase has been taken into consideration in the contribution capital account until the completion of the capital increase procedure.

#### 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

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 US Dollar 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:

|            | ABD Doları | Avro   | AUD    | DKK    | SEK    | CHF    | CAD    | NOK    | GBP    | SAR    | 100Yen |
|------------|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 25.06.2018 | 4,6760     | 5,4613 | 3,4424 | 0,7295 | 0,5241 | 4,7214 | 3,4796 | 0,5722 | 6,1912 | 1,2464 | 4,2210 |
| 26.06.2018 | 4,6170     | 6,0965 | 3,3958 | 0,7191 | 0,5187 | 4,6529 | 3,4355 | 0,5652 | 6,0965 | 1,2306 | 4,1590 |
| 27.06.2018 | 4,5903     | 5,3203 | 3,3711 | 0,7106 | 0,5116 | 4,6031 | 3,4197 | 0,5599 | 6,0231 | 1,2235 | 4,1130 |
| 28.06.2018 | 4,5893     | 5,3113 | 3,3534 | 0,7094 | 0,5065 | 4,5883 | 3,4256 | 0,5572 | 5,9966 | 1,2232 | 4,1160 |
| 29.06.2018 | 4,5708     | 5,3356 | 3,3595 | 0,7128 | 0,5082 | 4,5938 | 3,4417 | 0,5578 | 6,0231 | 1,2183 | 4,0850 |

- 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:

| ABD Doları | Avro   | AUD    | DKK    | SEK    | CHF    | CAD    | NOK    | GBP    | SAR    | 100 Yen |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| 4,0882     | 4,9390 | 3,1254 | 0,6588 | 0,4829 | 4,2029 | 3,1654 | 0,5115 | 5,6027 | 1,0897 | 3,7212  |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 (Continued)

##### Information on the foreign currency risk of the Group:

|  | EUR                | USD                | Other FC <sup>(****)</sup> | Total            |
|--|--------------------|--------------------|----------------------------|------------------|
| <b>Current Period</b>  |                    |                    |                            |                  |
| <b>Assets</b>  |                    |                    |                            |                  |
| Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey | 283.411            | 1.094.880          | 187.199                    | 1.565.490        |
| Banks  | 203.725            | 33.090             | 88.758                     | 325.573          |
| Financial assets at fair value through profit and loss <sup>(***)</sup>  | -                  | -                  | -                          | -                |
| Money market placements  | -                  | -                  | -                          | -                |
| Financial assets at fair value through other comprehensive income  | -                  | 9.234              | -                          | 9.234            |
| Loans <sup>(*)</sup>   | 3.309.891          | 1.669.094          | -                          | 4.978.985        |
| Subsidiaries, associates, entities under common control (joint ventures)   | -                  | -                  | -                          | -                |
| Financial assets measured at amortized cost  | -                  | -                  | -                          | -                |
| Derivative financial assets for hedging purposes   | -                  | -                  | -                          | -                |
| Tangible fixed assets (net)  | -                  | -                  | -                          | -                |
| Intangible assets (net)  | -                  | -                  | -                          | -                |
| Other assets   | 7                  | 346                | 596                        | 949              |
| <b>Total assets</b>  | <b>3.797.034</b>   | <b>2.806.644</b>   | <b>276.553</b>             | <b>6.880.231</b> |
| <b>Liabilities</b>   |                    |                    |                            |                  |
| Current account and funds collected from Banks via participation accounts  | 217                | 370                | -                          | 587              |
| Current and profit sharing accounts FC   | 1.950.032          | 3.344.744          | 272.222                    | 5.566.998        |
| Money market borrowings  | -                  | -                  | -                          | -                |
| Funds provided from other financial institutions   | 695.378            | 593.926            | -                          | 1.289.304        |
| Marketable securities issued   | -                  | -                  | -                          | -                |
| Derivative financial liabilities for hedging purposes  | -                  | -                  | -                          | -                |
| Other liabilities  | 13.060             | 9.186              | 1.278                      | 23.524           |
| <b>Total liabilities</b>   | <b>2.658.687</b>   | <b>3.948.226</b>   | <b>273.500</b>             | <b>6.880.413</b> |
| <b>Net balance sheet position</b>  | <b>1.138.347</b>   | <b>(1.141.582)</b> | <b>3.053</b>               | <b>(182)</b>     |
| <b>Net off-balance sheet position <sup>(**)</sup></b>  | <b>(1.157.909)</b> | <b>1.165.180</b>   | <b>-</b>                   | <b>7.271</b>     |
| Financial derivative assets  | -                  | 1.165.180          | -                          | 1.165.180        |
| Financial derivative liabilities   | (1.157.909)        | -                  | -                          | (1.157.909)      |
| <b>Non-cash loans</b>  | <b>1.863.491</b>   | <b>1.611.935</b>   | <b>45.735</b>              | <b>3.521.161</b> |
| <b>Prior Period</b>  |                    |                    |                            |                  |
| Total assets   | 2.527.292          | 2.684.690          | 158.015                    | 5.369.997        |
| Total liabilities  | 1.881.951          | 3.284.917          | 154.986                    | 5.321.854        |
| <b>Net balance sheet position</b>  | <b>645.341</b>     | <b>(600.227)</b>   | <b>3.029</b>               | <b>48.143</b>    |
| <b>Net off-balance sheet position</b>  | <b>(634.634)</b>   | <b>629.444</b>     | <b>-</b>                   | <b>(5.190)</b>   |
| Financial derivative assets  | -                  | 629.444            | -                          | 629.444          |
| Financial derivative liabilities   | 634.634            | -                  | -                          | 634.634          |
| <b>Non-cash loans</b>  | <b>1.604.487</b>   | <b>1.294.816</b>   | <b>38.860</b>              | <b>2.938.163</b> |

<sup>(\*)</sup> TL 671.310 equivalent of USD loans, and TL 1.290.889 equivalent of EUR loans are originated as foreign currency indexed loans.

<sup>(\*\*)</sup> Indicates the net balance of receivables and payables on derivative financial instruments.

<sup>(\*\*\*)</sup> "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 Derivative Financial Instruments TL 4.568 are not included.

<sup>(\*\*\*\*)</sup> Of the foreign currencies presented in the other foreign currency column of assets 94% is Gold, 3 % is GBP 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 and the remaining 3% is other foreign currencies.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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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 9.234 all of which are 100% risk weighted (31 December 2017: TL 7.181).

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

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

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

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

The Bank calculates and reports the liquidity adequacy ratio to BRSA 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.

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

- b) Payments, whether assets and liabilities are compatible with the rate of profit, 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 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.

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.

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

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

**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<br>Total Value <sup>(*)</sup> |                  | Consideration Ratio Applied<br>Total Value <sup>(*)</sup> |                  |
|---|---|------------------|---|------------------|
|   | TL+FC   | FC               | TL+FC   | FC               |
| <b>HIGH QUALITY LIQUID ASSETS</b>   | <b>2.440.723</b>  | <b>1.660.200</b> | <b>2.440.723</b>  | <b>1.660.200</b> |
| High quality liquid assets  | -   | -                | 2.440.723   | 1.660.200        |
| <b>CASH OUTFLOWS</b>  | <b>17.901.508</b>   | <b>7.736.368</b> | <b>4.922.083</b>  | <b>2.663.117</b> |
| Real person deposits and retail deposits  | 5.861.447   | 2.569.743        | 531.564   | 256.974          |
| Stable deposit  | 1.091.607   | -                | 54.580  | -                |
| Deposit with low stability  | 4.769.840   | 2.569.743        | 476.984   | 256.974          |
| Unsecured debts except real person deposits and retail deposits   | 5.757.838   | 2.550.198        | 3.360.584   | 1.583.938        |
| Operational deposit   | -   | -                | -   | -                |
| Non-operating deposits  | -   | -                | -   | -                |
| Other unsecured debts   | 5.757.838   | 2.550.198        | 3.360.584   | 1.583.938        |
| Secured debts   | -   | -                | -   | -                |
| Other cash outflows   | 6.282.223   | 2.616.427        | 1.029.935   | 822.205          |
| Derivative liabilities and margin obligations   | 703.817   | 681.533          | 703.817   | 681.533          |
| Debt from structured financial instruments  | -   | -                | -   | -                |
| Other off-balance sheet liabilities and commitments for the payment owed to financial markets                 | 185.427   | 175.709          | 56.468  | 52.713           |
| Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations | -   | -                | -   | -                |
| Other irrevocable or provisory revocable off-balance sheet liabilities  | 5.392.979   | 1.759.185        | 269.650   | 87.959           |
| <b>TOTAL CASH OUTFLOW</b>   | <b>-</b>  | <b>-</b>         | <b>4.922.083</b>  | <b>2.663.117</b> |
| <b>CASH INFLOWS</b>   | <b>3.466.496</b>  | <b>1.634.492</b> | <b>2.928.767</b>  | <b>1.591.775</b> |
| Secured receivables   | -   | -                | -   | -                |
| Unsecured claims  | 2.754.477   | 938.755          | 2.216.749   | 896.038          |
| Other cash inflows  | 712.019   | 695.737          | 712.019   | 695.737          |
| <b>TOTAL CASH INFLOWS</b>   | <b>3.466.496</b>  | <b>1.634.492</b> | <b>2.928.768</b>  | <b>1.591.775</b> |
| Applied maximum rate values   |   |                  |   |                  |
| <b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>  | <b>-</b>  | <b>-</b>         | <b>2.440.723</b>  | <b>1.660.200</b> |
| <b>TOTAL NET CASH OUTFLOWS</b>  | <b>-</b>  | <b>-</b>         | <b>1.993.315</b>  | <b>1.071.342</b> |
| <b>LIQUIDITY COVERAGE RATIO (%)</b>   | <b>-</b>  | <b>-</b>         | <b>122</b>  | <b>155</b>       |

<sup>(\*)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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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<br>Total Value <sup>(*)</sup> |                  | Consideration Ratio Applied<br>Total Value <sup>(*)</sup> |                  |
|---|---|------------------|---|------------------|
|   | TL+FC   | FC               | TL+FC   | FC               |
| <b>HIGH QUALITY LIQUID ASSETS</b>   | <b>2.018.345</b>  | <b>1.283.032</b> | <b>2.018.345</b>  | <b>1.283.032</b> |
| High quality liquid assets  | -   | -                | 2.018.345   | 1.283.032        |
| <b>CASH OUTFLOWS</b>  | <b>13.514.181</b>   | <b>5.333.357</b> | <b>3.430.342</b>  | <b>1.768.038</b> |
| Real person deposits and retail deposits  | 4.591.572   | 1.821.619        | 420.669   | 182.162          |
| Stable deposit  | 769.765   | -                | 38.488  | -                |
| Deposit with low stability  | 3.821.807   | 1.821.619        | 382.181   | 182.162          |
| Unsecured debts except real person deposits and retail deposits   | 4.153.603   | 1.651.717        | 2.238.483   | 966.394          |
| Operational deposit   | -   | -                | -   | -                |
| Non-operating deposits  | -   | -                | -   | -                |
| Other unsecured debts   | 4.153.603   | 1.651.717        | 2.238.483   | 966.394          |
| Secured debts   | -   | -                | -   | -                |
| Other cash outflows   | 4.769.006   | 1.860.021        | 771.190   | 619.482          |
| Derivative liabilities and margin obligations   | 526.520   | 520.140          | 526.520   | 520.140          |
| Debt from structured financial instruments  | -   | -                | -   | -                |
| Other off-balance sheet liabilities and commitments for the payment owed to financial markets                 | 130.168   | 129.394          | 39.054  | 38.818           |
| Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations | -   | -                | -   | -                |
| Other irrevocable or provisory revocable off-balance sheet liabilities  | 4.112.318   | 1.210.487        | 205.616   | 60.524           |
| <b>TOTAL CASH OUTFLOW</b>   | <b>-</b>  | <b>-</b>         | <b>3.430.342</b>  | <b>1.768.038</b> |
| <b>CASH INFLOWS</b>   | <b>2.225.933</b>  | <b>1.091.482</b> | <b>1.865.202</b>  | <b>1.080.505</b> |
| Secured receivables   | -   | -                | -   | -                |
| Unsecured claims  | 1.700.461   | 584.029          | 1.339.730   | 573.052          |
| Other cash inflows  | 525.472   | 507.453          | 525.472   | 507.453          |
| <b>TOTAL CASH INFLOWS</b>   | <b>2.225.933</b>  | <b>1.091.482</b> | <b>1.865.202</b>  | <b>1.080.505</b> |
| Applied maximum rate values   | -   | -                | -   | -                |
| <b>TOTAL HIGH QUALITY LIQUID ASSET STOCK</b>  | <b>-</b>  | <b>-</b>         | <b>2.018.345</b>  | <b>1.283.032</b> |
| <b>TOTAL NET CASH OUTFLOWS</b>  | <b>-</b>  | <b>-</b>         | <b>1.565.140</b>  | <b>687.533</b>   |
| <b>LIQUIDITY COVERAGE RATIO (%)</b>   | <b>-</b>  | <b>-</b>         | <b>129</b>  | <b>187</b>       |

<sup>(\*)</sup> The weekly simple arithmetic average calculated liquidity coverage ratio of the last three months average.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

### 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             |
|--|------------------|--------------------|--------------------|------------------|------------------|------------------|--------------------|-------------------|
| <b>Current Period</b>  |                  |                    |                    |                  |                  |                  |                    |                   |
| <b>Assets</b>  |                  |                    |                    |                  |                  |                  |                    |                   |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | 398.362          | 1.544.990          | -                  | -                | -                | -                | -                  | 1.943.352         |
| Banks  | 828.895          | -                  | -                  | -                | -                | -                | -                  | 828.895           |
| Financial Assets at Fair Value Through Profit and Loss   | -                | -                  | -                  | -                | -                | -                | -                  | -                 |
| Money Market Placements  | -                | -                  | -                  | -                | -                | -                | -                  | -                 |
| Financial Assets Available-for-Sale  | -                | -                  | -                  | 64.240           | 699.947          | 101.062          | 4.897              | 870.146           |
| Loans Given  | -                | 1.503.883          | 756.536            | 3.223.642        | 7.849.802        | 1.307.568        | -                  | 14.641.431        |
| Investments Held-to-Maturity   | -                | -                  | -                  | -                | -                | -                | -                  | -                 |
| Other Assets   | -                | -                  | -                  | -                | -                | -                | 197.808            | 197.808           |
| <b>Total Assets</b>  | <b>1.227.257</b> | <b>3.048.873</b>   | <b>756.536</b>     | <b>3.287.882</b> | <b>8.549.749</b> | <b>1.408.630</b> | <b>202.705</b>     | <b>18.481.632</b> |
| <b>Liabilities</b>   |                  |                    |                    |                  |                  |                  |                    |                   |
| Funds Collected from Banks Via Current and Participation Accounts  | 605              | 20.118             | 20.020             | -                | -                | -                | -                  | 40.743            |
| Current and Participation Accounts   | 1.598.720        | 8.376.631          | 2.518.757          | 883.281          | 14.798           | -                | -                  | 13.392.187        |
| Funds Provided from Other Financial Instruments  | -                | 261.421            | 415.067            | 459.589          | 163.241          | -                | -                  | 1.299.318         |
| Money Market Borrowings  | -                | 611.970            | -                  | -                | -                | -                | -                  | 611.970           |
| Issued Marketable Securities   | -                | 228.903            | 559.542            | -                | -                | -                | -                  | 788.445           |
| Other Liabilities <sup>(*)</sup>   | -                | -                  | -                  | -                | -                | -                | 2.348.969          | 2.348.969         |
| <b>Total Liabilities</b>   | <b>1.599.325</b> | <b>9.499.043</b>   | <b>3.513.386</b>   | <b>1.342.870</b> | <b>178.039</b>   | <b>-</b>         | <b>2.348.969</b>   | <b>18.481.632</b> |
| <b>Liquidity Gap</b>   | <b>(372.068)</b> | <b>(6.450.170)</b> | <b>(2.756.850)</b> | <b>1.945.012</b> | <b>8.371.710</b> | <b>1.408.630</b> | <b>(2.146.264)</b> | <b>-</b>          |

(\*) 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".

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

### 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:

| Prior Period   | Demand           | Up to 1 Month      | 1-3 Months       | 3-12 Months      | 1-5 Years        | 5 Years and Over | Undistributed (*)  | Total             |
|--|------------------|--------------------|------------------|------------------|------------------|------------------|--------------------|-------------------|
| <b>Assets</b>  |                  |                    |                  |                  |                  |                  |                    |                   |
| Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey | 323.220          | 1.320.469          | -                | -                | -                | -                | -                  | 1.643.689         |
| Banks  | 278.581          | -                  | -                | -                | -                | -                | -                  | 278.581           |
| Financial Assets at Fair Value Through Profit and Loss   | 37               | -                  | -                | -                | -                | -                | -                  | 37                |
| Money Market Placements  | -                | -                  | -                | -                | -                | -                | -                  | -                 |
| Financial Assets Available-for-Sale  | 2.462            | -                  | 2.406            | 61.297           | 453.289          | -                | 4.719              | 524.173           |
| Loans Given  | -                | 1.444.299          | 841.762          | 2.870.892        | 5.212.023        | 1.005.768        | -                  | 11.374.744        |
| Investments Held-to-Maturity   | -                | -                  | -                | -                | -                | -                | -                  | -                 |
| Other Assets   | 155.871          | 8.934              | 515              | 3.173            | 280.272          | 80.050           | -                  | 528.815           |
| <b>Total Assets</b>  | <b>760.171</b>   | <b>2.773.702</b>   | <b>844.683</b>   | <b>2.935.362</b> | <b>5.945.584</b> | <b>1.085.818</b> | <b>4.719</b>       | <b>14.350.039</b> |
| <b>Liabilities</b>   |                  |                    |                  |                  |                  |                  |                    |                   |
| Funds Collected from Banks Via Current and Participation Accounts  | 339              | 5.007              | -                | -                | -                | -                | -                  | 5.346             |
| Current and Participation Accounts   | 1.650.719        | 6.769.575          | 1.248.662        | 346.236          | 3.948            | -                | -                  | 10.019.140        |
| Funds Provided from Other Financial Instruments  | -                | 620.612            | 89.900           | 1.144.308        | 194.490          | -                | -                  | 2.049.310         |
| Money Market Borrowings  | -                | 32.462             | -                | -                | -                | -                | -                  | 32.462            |
| Issued Marketable Securities   | -                | 7.804              | 450.000          | 100.000          | -                | -                | -                  | 557.804           |
| Sundry Creditors   | -                | -                  | -                | -                | -                | -                | 35.715             | 35.715            |
| Other Liabilities <sup>(*)</sup>   | -                | -                  | -                | -                | -                | -                | 1.650.262          | 1.650.262         |
| <b>Total Liabilities</b>   | <b>1.651.058</b> | <b>7.435.460</b>   | <b>1.788.562</b> | <b>1.590.544</b> | <b>198.438</b>   | <b>-</b>         | <b>1.685.977</b>   | <b>14.350.039</b> |
| <b>Liquidity Gap</b>   | <b>(890.887)</b> | <b>(4.661.758)</b> | <b>(943.879)</b> | <b>1.344.818</b> | <b>5.747.146</b> | <b>1.085.818</b> | <b>(1.681.258)</b> | <b>-</b>          |

<sup>(\*)</sup> 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".

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

##### V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 June 2018, leverage ratio of the Group calculated from the arithmetic average of the last three months is 5,5% (31 December 2017: 6,6%). This ratio is above the required minimum rate.

**Leverage ratio disclosure as follows:**

| <b>Balance sheet assets</b>   | <b>Current Period <sup>(*)</sup></b> | <b>Prior Period</b> |
|---|--------------------------------------|---------------------|
| Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties) | 17.593.380                           | 13.721.760          |
| (Assets deducted from main capital)   | (113.766)                            | (81.514)            |
| Total risk amount of the balance sheet assets   | 17.479.614                           | 13.640.246          |
| <b>Derivative financial instruments and credit derivatives</b>  |                                      |                     |
| Replacement cost of derivative financial instruments and credit derivatives                                     | 12.033                               | 630                 |
| Potential credit risk amount of derivative financial instruments and credit derivatives                         | 9.689                                | 6.357               |
| Total risk amount of derivative financial instruments and credit derivative                                     | 21.722                               | 6.987               |
| <b>Security or secured financing transactions</b>   |                                      |                     |
| Risk amount of security or secured financing transactions ( Except balance sheet)                               | 186.896                              | 160.316             |
| Risk amount due to intermediated transactions   | -                                    | -                   |
| Total risk amount of security or secured financing transactions   | 186.896                              | 160.316             |
| <b>Off-balance sheet transactions</b>   |                                      |                     |
| Gross nominal amount of off-balance sheet transactions  | 8.504.154                            | 6.207.549           |
| (Adjustment amount resulting from multiplying by credit conversion rates)                                       | -                                    | -                   |
| Risk amount of the off-balance sheet transactions   | 8.504.154                            | 6.207.549           |
| <b>Equity and total risk</b>  |                                      |                     |
| Main capital  | 1.448.147                            | 1.318.315           |
| Total risk amount   | 26.192.386                           | 20.015.098          |
| <b>Leverage ratio</b>   |                                      |                     |
| Leverage ratio  | 5,5                                  | 6,6                 |

(\*) 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.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

#### 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 analyses, where all risks are analyzed in detail, are reported to the Audit Committee.

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

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

In order to create a common risk culture in 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:

###### a) Overview of Risk-weighted Assets

|    |   | Risk Weighted Amount |                  | Minimum capital Requirement |
|----|---|----------------------|------------------|-----------------------------|
|    |   | Current Period       | Prior Period     | Current Period              |
|    | <b>Overview of RWA</b>  |                      |                  |                             |
| 1  | Credit risk (excluding counterparty credit risk) (CCR)                                | 12.868.679           | 9.308.200        | 1.029.494                   |
| 2  | Standardized approach (SA)  | 12.868.679           | 9.308.200        | 1.029.494                   |
| 3  | Internal rating-based (IRB) approach  | -                    | -                | -                           |
| 4  | Counterparty credit risk  | 163.519              | 5.091            | 13.082                      |
| 5  | Standardized approach for counterparty credit risk (SA-CCR)                           | 163.519              | 5.091            | 13.082                      |
| 6  | Internal model method (IMM)   | -                    | -                | -                           |
| 7  | Basic risk weight approach to internal models equity position in the banking account  | -                    | -                | -                           |
| 8  | Investments made in collective investment companies – look-through approach           | -                    | -                | -                           |
| 9  | Investments made in collective investment companies – mandate-based approach          | -                    | -                | -                           |
| 10 | Investments made in collective investment companies - 1250% weighted risk approach    | -                    | -                | -                           |
| 11 | Settlement risk   | -                    | -                | -                           |
| 12 | Securitization positions in banking accounts  | -                    | -                | -                           |
| 13 | RB ratings-based approach (RBA)   | -                    | -                | -                           |
| 14 | IRB Supervisory Formula Approach (SFA)  | -                    | -                | -                           |
| 15 | SA/simplified supervisory formula approach (SSFA)                                     | -                    | -                | -                           |
| 16 | Market risk   | 46.458               | 44.918           | 3.717                       |
| 17 | Standardized approach (SA)  | 46.458               | 44.918           | 3.717                       |
| 18 | Internal model approaches (IMM)   | -                    | -                | -                           |
| 19 | Operational Risk (*)  | 491.392              | 285.210          | 39.311                      |
| 20 | Basic Indicator Approach  | 491.392              | 285.210          | 39.311                      |
| 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 | <b>Total (1+4+7+8+9+10+11+12+16+19+23+24)</b>   | <b>13.570.048</b>    | <b>9.643.419</b> | <b>1.085.604</b>            |



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### b) Explanations to be Disclosed Related to Credit Risk

##### 1. Credit quality of assets

|                |                               | Carrying values under scope of regulatory consolidation |                         | Provisions/Amortization and impairment | Net value         |
|----------------|-------------------------------|---|-------------------------|--|-------------------|
| Current Period |                               | Defaulted exposures                                     | Non-defaulted exposures |  |                   |
| 1              | Loans                         | 47.291  | 14.668.666              | 30.101                                 | 14.685.856        |
| 2              | Debt instruments              | -   | 887.844                 | 22.595                                 | 865.249           |
| 3              | Off-balance sheet receivables | -   | 9.024.294               | 1.642                                  | 9.022.652         |
| 4              | <b>Total</b>                  | <b>47.291</b>   | <b>24.580.804</b>       | <b>54.338</b>                          | <b>24.573.757</b> |

|              |                               | Carrying values under scope of regulatory consolidation |                         | Provisions/Amortization and impairment | Net value         |
|--------------|-------------------------------|---|-------------------------|--|-------------------|
| Prior Period |                               | Defaulted exposures                                     | Non-defaulted exposures |  |                   |
| 1            | Loans                         | 34.841  | 11.730.936              | 18.088                                 | 11.747.689        |
| 2            | Debt instruments              | -   | 524.845                 | 7.853                                  | 516.992           |
| 3            | Off-balance sheet receivables | -   | 6.182.098               | 177                                    | 6.181.921         |
| 4            | <b>Total</b>                  | <b>34.841</b>   | <b>18.437.879</b>       | <b>26.118</b>                          | <b>18.446.602</b> |

##### 2. Default receivables and change in debt instrument stock

| Current Period |  |  |          |
|----------------|--|--|----------|
| 1              | Prior report period default loans and debt instrument amount               |  | 34.841   |
| 2              | Default credits and debt instruments since the last reporting period       |  | 25.284   |
| 3              | Non re-defaulted receivables   |  | -        |
| 4              | Write-offs   |  | -        |
| 5              | Other changes  |  | (12.834) |
| 6              | Defaulted loans and debt securities at end of reporting period (1+2-3-4±5) |  | 47.291   |

| Prior Period |  |  |        |
|--------------|--|--|--------|
| 1            | Prior report period default loans and debt instrument amount               |  | 10.483 |
| 2            | Default credits and debt instruments since the last reporting period       |  | 24.358 |
| 3            | Non re-defaulted receivables   |  | -      |
| 4            | Write-offs   |  | -      |
| 5            | Other changes  |  | -      |
| 6            | Defaulted loans and debt securities at end of reporting period (1+2-3-4±5) |  | 34.841 |

##### 3. Credit risk mitigation techniques

| Current Period |                  | Unsecured receivables: Amount assessed pursuant to TAS | Claims secured by guarantee | Collateralized portions of collateralized receivables | Receivables protected by financial guarantees | Collateralized portions of receivables protected by financial guarantees | Loans protected by credit derivatives | Collateralized portions of receivables protected by credit derivatives |
|----------------|------------------|--|-----------------------------|---|---|--|---------------------------------------|--|
| 1              | Loans            | 11.574.423   | 3.111.433                   | 1.066.290   | 1.407.531                                     | 976.816  | -                                     | -  |
| 2              | Debt instruments | 865.249  | -                           | -   | -   | -  | -                                     | -  |
| 3              | <b>Total</b>     | <b>12.439.672</b>                                      | <b>3.111.433</b>            | <b>1.066.290</b>                                      | <b>1.407.531</b>                              | <b>976.816</b>   | -                                     | -  |
| 4              | Default          | 47.291   | -                           | -   | -   | -  | -                                     | -  |

| Prior Period |                  | Unsecured receivables: Amount assessed pursuant to TAS | Claims secured by guarantee | Collateralized portions of collateralized receivables | Receivables protected by financial guarantees | Collateralized portions of receivables protected by financial guarantees | Loans protected by credit derivatives | Collateralized portions of receivables protected by credit derivatives |
|--------------|------------------|--|-----------------------------|---|---|--|---------------------------------------|--|
| 1            | Loans            | 9.934.785  | 1.812.904                   | 971.403   | 1.390.238                                     | 914.450  | -                                     | -  |
| 2            | Debt instruments | 516.992  | -                           | -   | -   | -  | -                                     | -  |
| 3            | <b>Total</b>     | <b>10.451.777</b>                                      | <b>1.812.904</b>            | <b>971.403</b>  | <b>1.390.238</b>                              | <b>914.450</b>   | -                                     | -  |
| 4            | Default          | 34.841   | -                           | -   | -   | -  | -                                     | -  |

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## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 1. Exposure to credit risk and credit risk mitigation effects

| Current Period |   | The credit conversion rate and the credit amount before the credit risk reduction |                          | The credit conversion rate and the credit amount after the credit risk reduction |                          | Risk weighted amount and risk weighted amount density |                              |
|----------------|---|---|--------------------------|--|--------------------------|---|------------------------------|
|                | Risk classes  | On-balance sheet amount   | Off-balance sheet amount | On-balance sheet amount  | Off-balance sheet amount | Risk weighted amount                                  | Risk weighted amount density |
| 1              | Exposures to central governments or central banks                                     | 2.205.644   | -                        | 3.151.853  | 94.037                   | 115.653   | 4%                           |
| 2              | Exposures to regional governments or local authorities                                | -   | -                        | 30.607   | 1.773                    | 16.190  | 50%                          |
| 3              | Exposures to public sector entities   | 10.187  | 1.240                    | 10.187   | 600                      | 10.770  | 100%                         |
| 4              | Exposures to multilateral development Banks   | -   | -                        | -  | -                        | -   | 0%                           |
| 5              | Exposures to international organizations  | -   | -                        | -  | -                        | -   | 0%                           |
| 6              | Exposures to institutions   | 1.472.315   | 35.321                   | 1.472.315  | 21.140                   | 415.443   | 28%                          |
| 7              | Exposures to corporates   | 6.259.745   | 7.955.540                | 5.610.738  | 5.079.529                | 10.479.710  | 98%                          |
| 8              | Retail exposures  | 1.450.545   | 827.078                  | 1.122.736  | 367.862                  | 1.096.237   | 74%                          |
| 9              | Exposures secured by residential property   | 726.881   | 10.169                   | 726.881  | 4.684                    | 256.539   | 35%                          |
| 10             | Exposures secured by commercial Real Estate   | 696.263   | 193.303                  | 696.263  | 128.937                  | 412.600   | 50%                          |
| 11             | Past-due loans  | 11.056  | -                        | 11.056   | -                        | 7.185   | 65%                          |
| 12             | Higher-risk categories by the Agency Board  | -   | -                        | -  | -                        | -   | 0%                           |
| 13             | Exposures in the form of covered Bonds  | -   | -                        | -  | -                        | -   | 0%                           |
| 14             | Exposures to institutions and corporates with a short-term credit assessment          | -   | -                        | -  | -                        | -   | 0%                           |
| 15             | Exposures in the form of units or shares in collective investment undertakings (CIUs) | -   | -                        | -  | -                        | -   | 0%                           |
| 16             | Other assets  | 102.243   | -                        | 102.243  | -                        | 58.452  | 57%                          |
| 17             | Investments in equities   | -   | -                        | -  | -                        | -   | 0%                           |
| 18             | <b>Total</b>  | <b>12.934.879</b>   | <b>9.022.651</b>         | <b>12.934.879</b>  | <b>5.698.562</b>         | <b>12.868.779</b>                                     | <b>69%</b>                   |

| Prior Period |   | The credit conversion rate and the credit amount before the credit risk reduction |                          | The credit conversion rate and the credit amount after the credit risk reduction |                          | Risk weighted amount and risk weighted amount density |                              |
|--------------|---|---|--------------------------|--|--------------------------|---|------------------------------|
|              | Risk classes  | On-balance sheet amount   | Off-balance sheet amount | On-balance sheet amount  | Off-balance sheet amount | Risk weighted amount                                  | Risk weighted amount density |
| 1            | Exposures to central governments or central banks                                     | 2.178.097   | -                        | 3.077.345  | 112.088                  | 129.914   | 4%                           |
| 2            | Exposures to regional governments or local authorities                                | -   | -                        | 15.203   | 1.960                    | 8.582   | 50%                          |
| 3            | Exposures to public sector entities   | 84.058  | 1.237                    | 84.058   | 600                      | 84.641  | 100%                         |
| 4            | Exposures to multilateral development Banks   | -   | -                        | -  | -                        | -   | 0%                           |
| 5            | Exposures to international organizations  | -   | -                        | -  | -                        | -   | 0%                           |
| 6            | Exposures to institutions   | 1.410.765   | 276                      | 1.410.764  | 251                      | 428.318   | 30%                          |
| 7            | Exposures to corporates   | 4.849.702   | 5.513.892                | 4.179.866  | 3.450.504                | 7.482.028   | 98%                          |
| 8            | Retail exposures  | 790.764   | 495.340                  | 546.150  | 210.835                  | 556.881   | 74%                          |
| 9            | Exposures secured by residential property   | 652.679   | 45.011                   | 652.679  | 22.205                   | 236.257   | 35%                          |
| 10           | Exposures secured by commercial Real Estate   | 524.560   | 126.443                  | 524.561  | 95.473                   | 310.017   | 50%                          |
| 11           | Past-due loans  | 7.794   | -                        | 7.793  | -                        | 6.581   | 84%                          |
| 12           | Higher-risk categories by the Agency Board  | 2.027   | -                        | 2.027  | -                        | 3.041   | 150%                         |
| 13           | Exposures in the form of covered Bonds  | -   | -                        | -  | -                        | -   | 0%                           |
| 14           | Exposures to institutions and corporates with a short-term credit assessment          | -   | -                        | -  | -                        | -   | 0%                           |
| 15           | Exposures in the form of units or shares in collective investment undertakings (CIUs) | -   | -                        | -  | -                        | -   | 0%                           |
| 16           | Other assets  | 103.065   | -                        | 103.065  | -                        | 61.941  | 60%                          |
| 17           | Investments in equities   | -   | -                        | -  | -                        | -   | 0%                           |
| 18           | <b>Total</b>  | <b>10.603.511</b>   | <b>6.182.199</b>         | <b>10.603.511</b>  | <b>3.893.916</b>         | <b>9.308.201</b>                                      | <b>64%</b>                   |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS

AS AT 30 JUNE 2018

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

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

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 2. Receivables based on risk classes and risk weighted

|    | Risk classes/ Risk Weight   | 0%               | 10%      | 20%              | 35% (secured<br>by real estate) | 50%              | 75%              | 100%              | 150%     | 200%     | Others   | Total credit risk exposure<br>amount (after CCF and<br>CRM) |
|----|---|------------------|----------|------------------|---------------------------------|------------------|------------------|-------------------|----------|----------|----------|---|
| 1  | Exposures to regional governments or local authorities                                | 3,014,585        | -        | -                | -                               | 231,305          | -                | -                 | -        | -        | -        | 3,245,890   |
| 2  | Exposures to regional governments or local authorities                                | -                | -        | -                | -                               | 32,380           | -                | -                 | -        | -        | -        | 32,380  |
| 3  | Exposures to public sector entities   | 17               | -        | -                | -                               | -                | -                | 10,770            | -        | -        | -        | 10,787  |
| 4  | Exposures to multilateral development banks   | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 5  | Exposures to international organizations  | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 6  | Exposures to banks and financial intermediaries                                       | -                | -        | 1,112,724        | -                               | 375,664          | -                | 5,067             | -        | -        | -        | 1,493,455   |
| 7  | Exposures to corporates   | 72,600           | -        | 72,317           | -                               | 160,207          | -                | 10,385,143        | -        | -        | -        | 10,690,267  |
| 8  | Retail exposures  | 22,093           | -        | 7,886            | -                               | 3,217            | 1,457,402        | -                 | -        | -        | -        | 1,490,598   |
| 9  | Exposures secured by residential property   | -                | -        | -                | 728,288                         | 3,277            | -                | -                 | -        | -        | -        | 731,565   |
| 10 | Exposures secured by commercial real estate   | -                | -        | -                | -                               | 825,200          | -                | -                 | -        | -        | -        | 825,200   |
| 11 | Past-due loans  | -                | -        | -                | -                               | 7,742            | -                | 3,314             | -        | -        | -        | 11,056  |
| 12 | Higher-risk categories by the Agency Board  | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 13 | Exposures in the form of covered bonds  | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 14 | Exposures to institutions and corporates with a short-term credit assessment          | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 16 | Investments in equities   | -                | -        | -                | -                               | -                | -                | -                 | -        | -        | -        | -   |
| 17 | Other assets  | 41,308           | -        | 3,104            | -                               | -                | -                | 57,831            | -        | -        | -        | 102,243   |
| 18 | <b>Total</b>  | <b>3,150,603</b> | <b>-</b> | <b>1,196,031</b> | <b>728,288</b>                  | <b>1,638,992</b> | <b>1,457,402</b> | <b>10,462,125</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>18,633,441</b>   |

|    | Riskclasses/RiskWeight  | 0%               | 10%      | 20%            | 35% (secured<br>by real estate) | 50% (secured<br>by real estate) | 50%            | 75%            | 100%             | 150%         | 200%     | Others   | Total credit risk exposure<br>amount (after CCF and<br>CRM) |
|----|---|------------------|----------|----------------|---------------------------------|---------------------------------|----------------|----------------|------------------|--------------|----------|----------|---|
| 1  | Exposures to regional governments or local authorities                                | 2,929,605        | -        | -              | -                               | -                               | 259,828        | -              | -                | -            | -        | -        | 3,189,433   |
| 2  | Exposures to regional governments or local authorities                                | -                | -        | -              | -                               | -                               | 17,163         | -              | -                | -            | -        | -        | 17,163  |
| 3  | Exposures to public sector entities   | 17               | -        | -              | -                               | -                               | -              | -              | -                | -            | -        | -        | -   |
| 4  | Exposures to multilateral development banks   | -                | -        | -              | -                               | -                               | -              | 84,641         | -                | -            | -        | -        | 84,658  |
| 5  | Exposures to international organizations  | -                | -        | -              | -                               | -                               | -              | -              | -                | -            | -        | -        | -   |
| 6  | Exposures to banks and financial intermediaries                                       | -                | -        | 924,341        | -                               | -                               | 486,448        | 226            | -                | -            | -        | -        | 1,411,015   |
| 7  | Exposures to corporates   | 48,271           | -        | 42,782         | -                               | -                               | 131,691        | 7,407,626      | -                | -            | -        | -        | 7,630,370   |
| 8  | Retail exposures  | 11,354           | -        | 3,886          | -                               | -                               | 819            | 740,926        | -                | -            | -        | -        | 756,985   |
| 9  | Exposures secured by residential property   | -                | -        | -              | 674,565                         | 319                             | -              | -              | -                | -            | -        | -        | 674,884   |
| 10 | Exposures secured by commercial real estate   | -                | -        | -              | -                               | 620,034                         | -              | -              | -                | -            | -        | -        | 620,034   |
| 11 | Past-due loans  | -                | -        | -              | -                               | -                               | 2,424          | 5,369          | -                | -            | -        | -        | 7,793   |
| 12 | Higher-risk categories by the Agency Board  | -                | -        | -              | -                               | -                               | -              | -              | 2,027            | -            | -        | -        | 2,027   |
| 13 | Exposures in the form of covered bonds  | -                | -        | -              | -                               | -                               | -              | -              | -                | -            | -        | -        | -   |
| 14 | Exposures to institutions and corporates with a short-term credit assessment          | -                | -        | -              | -                               | -                               | -              | -              | -                | -            | -        | -        | -   |
| 15 | Exposures in the form of units or shares in collective investment undertakings (CIUs) | -                | -        | -              | -                               | -                               | -              | -              | -                | -            | -        | -        | -   |
| 16 | Investments in equities   | -                | -        | -              | -                               | -                               | -              | -              | -                | -            | -        | -        | -   |
| 17 | Other assets  | 41,124           | -        | -              | -                               | -                               | -              | 61,941         | -                | -            | -        | -        | 103,065   |
| 18 | <b>Total</b>  | <b>3,030,371</b> | <b>-</b> | <b>971,009</b> | <b>674,565</b>                  | <b>620,353</b>                  | <b>898,373</b> | <b>740,926</b> | <b>7,559,803</b> | <b>2,027</b> | <b>-</b> | <b>-</b> | <b>14,497,427</b>   |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

#### c) Disclosures about counterparty credit risk

##### 1. Evaluation of counterparty credit risk according to measurement methods

|   | Current Period  | Replacement cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | EAD post CRM | Risk Weighted Amounts |
|---|---|------------------|---------------------------|------|---|--------------|-----------------------|
| 1 | Standardized Approach - CCR (For Derivatives)   | 6.726            | 11.882                    |      | 1,4                                     | 18.608       | 9.069                 |
| 2 | Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)               |                  |                           | -    | -                                       | -            | -                     |
| 3 | Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)             |                  |                           |      |   | 764.061      | 149.212               |
| 4 | Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           |      |   | -            | -                     |
| 5 | VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions   |                  |                           |      |   | -            | -                     |
| 6 | <b>Total</b>  |                  |                           |      |   | -            | <b>158.281</b>        |

|   | Prior Period  | Replacement cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | EAD post CRM | Risk Weighted Amounts |
|---|---|------------------|---------------------------|------|---|--------------|-----------------------|
| 1 | Standardized Approach - CCR (For Derivatives)   | 37               | 6.604                     |      | 1,4                                     | 6.641        | 3.216                 |
| 2 | Internal Model Method (for derivatives, repo transactions , marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)               |                  |                           | -    | -                                       | -            | -                     |
| 3 | Simple Approach for Credit Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions)             |                  |                           |      |   | -            | -                     |
| 4 | Comprehensive Approach for Credit Risk Mitigation (for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions) |                  |                           |      |   | -            | -                     |
| 5 | VaR for repo transactions, marketable securities or commodity lending or borrowing transactions, long settlement transactions and securities financing transactions   |                  |                           |      |   | -            | -                     |
| 6 | <b>Total</b>  |                  |                           |      |   |              | <b>3.216</b>          |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### a) Disclosures about counterparty credit risk (Continued)

##### 2. Capital requirement for loan valuation adjustments

|   | Current Period  | EAD post-CRM | Risk Weighted Amounts |
|---|---|--------------|-----------------------|
|   | Total portfolios subject to the Advanced CVA capital charge   | -            | -                     |
| 1 | (i) VaR component (including the 3×multiplier)                |              | -                     |
| 2 | (ii) Stressed VaR component (including the 3×multiplier)      |              | -                     |
| 3 | All portfolios subject to the Standardized CVA capital charge | 18.608       | 5.238                 |
| 4 | Total subject to the CVA capital charge                       | 18.608       | 5.238                 |

|   | Prior Period  | EAD post-CRM | Risk Weighted Amounts |
|---|---|--------------|-----------------------|
|   | Total portfolios subject to the Advanced CVA capital charge   | -            | -                     |
| 1 | (i) VaR component (including the 3×multiplier)                |              | -                     |
| 2 | (ii) Stressed VaR component (including the 3×multiplier)      |              | -                     |
| 3 | All portfolios subject to the Standardized CVA capital charge | 6.641        | 1.875                 |
| 4 | Total subject to the CVA capital charge                       | 6.641        | 1.875                 |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 3. Standard approach - counterparty credit risk by risk classes and risk weights

| Risk weights (Current Period)  |    |     |                |               |     |      |      |       |                       |
|--|----|-----|----------------|---------------|-----|------|------|-------|-----------------------|
| Risk classes   | 0% | 10% | 20%            | 50%           | 75% | 100% | 150% | Diğer | Total credit risk (*) |
| Claims from central governments and central banks  | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims from regional and local governments   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims from administration and non-commercial entity   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims from multilateral development banks   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims from international organizations  | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims from banks and financial intermediaries   | -  | -   | 746.844        | 17.825        | -   | -    | -    | -     | 158.281               |
| Corporates   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Retail portfolios  | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims on landed real estate   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Past due loans   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims which are determined as high risk by the board of BRSA                                  | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Mortgage securities  | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Securitization positions   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Claims from corporates, banks and financial intermediaries which have short term credit rating | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Investments which are qualified as collective investment institutions                          | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Stock investment   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Other claims   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| Other assets   | -  | -   | -              | -             | -   | -    | -    | -     | -                     |
| <b>Total</b>   | -  | -   | <b>746.844</b> | <b>17.825</b> | -   | -    | -    | -     | <b>158.281</b>        |

(\*) Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

#### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

##### 3. Standard approach - counterparty credit risk by risk classes and risk weights (Continued)

| Risk weights (Prior Period)<br>Risk classes  | 0%             | 10%      | 20%        | 50%          | 75%      | 100%     | 150%     | Diğer    | Total credit risk <sup>(*)</sup> |
|--|----------------|----------|------------|--------------|----------|----------|----------|----------|----------------------------------|
| Claims from central governments and central banks  | 501.421        | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims from regional and local governments   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims from administration and non-commercial entity   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims from multilateral development banks   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims from international organizations  | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims from banks and financial intermediaries   | -              | -        | 347        | 6.294        | -        | -        | -        | -        | 3.216                            |
| Corporates   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Retail portfolios  | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims on landed real estate   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Past due loans   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims which are determined as high risk by the board of BRSA                                  | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Mortgage securities  | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Securitization positions   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Claims from corporates, banks and financial intermediaries which have short term credit rating | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Investments which are qualified as collective investment institutions                          | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Stock investment   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Other claims   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| Other assets   | -              | -        | -          | -            | -        | -        | -        | -        | -                                |
| <b>Total</b>   | <b>501.421</b> | <b>-</b> | <b>347</b> | <b>6.294</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>-</b> | <b>3.216</b>                     |

<sup>(\*)</sup> Total credit risk: The amount related to capital adequacy calculation after counterparty credit risk measurement techniques are applied.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

### VII. EXPLANATIONS ON RISK MANAGEMENT (Continued)

#### 4. Collaterals for counterparty credit risk

| Current Period           | Collateral used in derivative transactions |              |                                 |              | Other transaction guarantees      |                                 |
|--------------------------|--|--------------|---------------------------------|--------------|-----------------------------------|---------------------------------|
|                          | Fair value of collateral received          |              | Fair value of posted collateral |              | Fair value of collateral received | Fair value of posted collateral |
|                          | Segregated                                 | Unsegregated | Segregated                      | Unsegregated |                                   |                                 |
| Cash – domestic currency | -  | -            | -                               | -            | 611.970                           | -                               |
| Cash – other currencies  | -  | -            | -                               | -            | -                                 | -                               |
| Domestic sovereign debt  | -  | -            | -                               | -            | -                                 | -                               |
| Other sovereign debt     | -  | -            | -                               | -            | -                                 | -                               |
| Government agency debt   | -  | -            | -                               | -            | -                                 | -                               |
| Corporate bonds          | -  | -            | -                               | -            | -                                 | -                               |
| Equity securities        | -  | -            | -                               | -            | -                                 | -                               |
| Other collateral         | -  | -            | -                               | -            | -                                 | 746.061                         |
| <b>Total</b>             | -  | -            | -                               | -            | <b>611.970</b>                    | <b>746.061</b>                  |

| Prior Period             | Collateral used in derivative transactions |              |                                 |              | Other transaction guarantees      |                                 |
|--------------------------|--|--------------|---------------------------------|--------------|-----------------------------------|---------------------------------|
|                          | Fair value of collateral received          |              | Fair value of posted collateral |              | Fair value of collateral received | Fair value of posted collateral |
|                          | Segregated                                 | Unsegregated | Segregated                      | Unsegregated |                                   |                                 |
| Cash – domestic currency | -  | -            | -                               | -            | 32.462                            | -                               |
| Cash – other currencies  | -  | -            | -                               | -            | -                                 | -                               |
| Domestic sovereign debt  | -  | -            | -                               | -            | -                                 | -                               |
| Other sovereign debt     | -  | -            | -                               | -            | -                                 | -                               |
| Government agency debt   | -  | -            | -                               | -            | -                                 | -                               |
| Corporate bonds          | -  | -            | -                               | -            | -                                 | -                               |
| Equity securities        | -  | -            | -                               | -            | -                                 | -                               |
| Other collateral         | -  | -            | -                               | -            | -                                 | 501.421                         |
| <b>Total</b>             | -  | -            | -                               | -            | <b>32.462</b>                     | <b>501.421</b>                  |

#### d) Credit Derivatives

None.

#### a) Risks to the Central Counterparty

None.

#### e) Securitization Explanations

None.

#### f) Explanations on Market risk

##### 1. Standard Approach

|          |   | RAV           |
|----------|---|---------------|
|          | Outright products                         |               |
| 1        | Interest rate risk (general and specific) | 10.838        |
| 2        | Equity risk (general and specific)        | -             |
| 3        | Foreign exchange risk                     | 35.620        |
| 4        | Commodity risk                            | -             |
|          | Options                                   | -             |
| 5        | Simplified approach                       | -             |
| 6        | Delta-plus method                         | -             |
| 7        | Scenario approach                         | -             |
| 8        | Securitization                            | -             |
| <b>9</b> | <b>Total</b>                              | <b>46.458</b> |

|          |   | RAV           |
|----------|---|---------------|
|          | Outright products                         |               |
| 1        | Interest rate risk (general and specific) | 15.763        |
| 2        | Equity risk (general and specific)        | -             |
| 3        | Foreign exchange risk                     | 29.155        |
| 4        | Commodity risk                            | -             |
|          | Options                                   | -             |
| 5        | Simplified approach                       | -             |
| 6        | Delta-plus method                         | -             |
| 7        | Scenario approach                         | -             |
| 8        | Securitization                            | -             |
| <b>9</b> | <b>Total</b>                              | <b>44.918</b> |



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**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 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 Parent 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.

**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 basis have not been presented since the Bank use the standard approach as of 30 June 2018 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 JUNE 2018

(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<br>1 January – 30 June 2018             | Retail<br>Banking | Corporate/<br>Entrepreneurial<br>Banking | Treasury/<br>Investment<br>Banking | Other/Undistri-<br>buted | Total             |
|--|-------------------|--|------------------------------------|--------------------------|-------------------|
| <b>OPERATING INCOME/EXPENSE</b>                        |                   |  |                                    |                          |                   |
| <b>Profit Shares Income</b>                            | <b>87.352</b>     | <b>619.235</b>                           | <b>58.707</b>                      | <b>27.028</b>            | <b>792.322</b>    |
| Profit Shares from Loans                               | 87.352            | 619.235                                  | -                                  | -                        | 706.587           |
| Profit Shares from Banks                               | -                 | -  | -                                  | -                        | -                 |
| Profit Shares from Securities                          | -                 | -  | 43.618                             | -                        | 43.618            |
| Other Profit Shares                                    | -                 | -  | 15.089                             | 27.028                   | 42.117            |
| <b>Profit Shares Expense</b>                           | <b>148.434</b>    | <b>245.153</b>                           | <b>79.191</b>                      | <b>2</b>                 | <b>472.780</b>    |
| Profit Shares Expense on Participation Funds           | 148.434           | 245.153                                  | 2.363                              | -                        | 395.950           |
| Profit Shares Expense on Funds Borrowed                | -                 | -  | 28.798                             | -                        | 28.798            |
| Profit Shares Expense on Money Market Transactions     | -                 | -  | 5.197                              | -                        | 5.197             |
| Profit Shares Expense on Securities Issued             | -                 | -  | 42.833                             | -                        | 42.833            |
| Other Profit Shares Expense                            | -                 | -  | -                                  | 2                        | 2                 |
| <b>Net Profit Shares Income/Expense</b>                | <b>(61.082)</b>   | <b>374.082</b>                           | <b>(20.484)</b>                    | <b>27.026</b>            | <b>319.542</b>    |
| <b>Net Fees and Commission Income/Expense</b>          | <b>1.821</b>      | <b>24.371</b>                            | <b>-</b>                           | <b>(3.402)</b>           | <b>22.790</b>     |
| Fees and Commissions Received                          | 1.821             | 24.371                                   | -                                  | 6.704                    | 32.896            |
| Fees and Commissions Paid                              | -                 | -  | -                                  | 10.106                   | 10.106            |
| <b>Personnel Expense</b>                               | <b>-</b>          | <b>-</b>                                 | <b>-</b>                           | <b>58.594</b>            | <b>58.594</b>     |
| <b>Dividend Income</b>                                 | <b>-</b>          | <b>-</b>                                 | <b>177</b>                         | <b>-</b>                 | <b>177</b>        |
| <b>Trading Income/Loss (Net)</b>                       | <b>-</b>          | <b>-</b>                                 | <b>-</b>                           | <b>11.905</b>            | <b>11.905</b>     |
| <b>Other Operating Income</b>                          | <b>-</b>          | <b>-</b>                                 | <b>-</b>                           | <b>36.394</b>            | <b>36.394</b>     |
| <b>Provision for Loans or Other Receivables Losses</b> | <b>7.299</b>      | <b>51.232</b>                            | <b>-</b>                           | <b>5.472</b>             | <b>64.003</b>     |
| <b>Other Operating Expense</b>                         | <b>-</b>          | <b>125</b>                               | <b>-</b>                           | <b>79.587</b>            | <b>79.712</b>     |
| <b>Income Before Tax</b>                               | <b>(66.560)</b>   | <b>347.096</b>                           | <b>(20.307)</b>                    | <b>(71.730)</b>          | <b>188.499</b>    |
| <b>Tax Provision</b>                                   | <b>-</b>          | <b>-</b>                                 | <b>-</b>                           | <b>(37.193)</b>          | <b>(37.193)</b>   |
| <b>Net Profit/Loss</b>                                 | <b>(66.560)</b>   | <b>347.096</b>                           | <b>(20.307)</b>                    | <b>(108.923)</b>         | <b>151.306</b>    |
| <b>SEGMENT ASSETS</b>                                  |                   |  |                                    |                          |                   |
| Financial Assets at FV Through P/L                     | -                 | -  | -                                  | -                        | -                 |
| Banks and Other Financial Institutions                 | -                 | -  | 828.895                            | -                        | 828.895           |
| Financial Assets Available for Sale (Net)              | -                 | -  | 870.146                            | -                        | 870.146           |
| Loans  | 1.669.943         | 11.721.524                               | 1.249.964                          | -                        | 14.641.431        |
| Held to Maturity Investments (Net)                     | -                 | -  | -                                  | -                        | -                 |
| Derivative Financial Assets                            | -                 | -  | 5.818                              | -                        | 5.818             |
| Associates, Subsidiaries and Joint Ventures            | -                 | -  | -                                  | -                        | -                 |
| Other Assets   | -                 | -  | -                                  | 2.135.342                | 2.135.342         |
| <b>Total Segment Assets</b>                            | <b>1.669.943</b>  | <b>11.721.524</b>                        | <b>2.954.823</b>                   | <b>2.135.342</b>         | <b>18.481.632</b> |
| <b>SEGMENT LIABILITIES</b>                             |                   |  |                                    |                          |                   |
| Funds Collected  | 8.781.593         | 4.651.337                                | -                                  | -                        | 13.432.930        |
| Derivative Financial Liabilities Held for Trading      | -                 | -  | 4.568                              | -                        | 4.568             |
| Funds Borrowed   | -                 | -  | 1.299.318                          | -                        | 1.299.318         |
| Money Market Funds                                     | -                 | -  | 611.970                            | -                        | 611.970           |
| Securities Issued (Net)                                | -                 | -  | 788.445                            | -                        | 788.445           |
| Provisions   | -                 | -  | -                                  | 107.915                  | 107.915           |
| Other Liabilities                                      | -                 | -  | -                                  | 682.527                  | 682.527           |
| Shareholders' Equity                                   | -                 | -  | -                                  | 1.553.959                | 1.553.959         |
| <b>Total Segment Liabilities</b>                       | <b>8.781.593</b>  | <b>4.651.337</b>                         | <b>2.704.301</b>                   | <b>2.344.401</b>         | <b>18.481.632</b> |

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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:

| Prior Period<br>1 January – 30 June 2017               | Retail<br>Banking | Corporate/<br>Entrepreneur<br>ial Banking | Treasury/<br>Investment<br>Banking | Other/Undistr<br>ibuted | Total             |
|--|-------------------|---|------------------------------------|-------------------------|-------------------|
| <b>OPERATING INCOME/EXPENSE</b>                        |                   |   |                                    |                         |                   |
| <b>Profit Shares Income</b>                            | <b>54.244</b>     | <b>297.201</b>                            | <b>27.485</b>                      | <b>14.337</b>           | <b>393.267</b>    |
| Profit Shares from Loans                               | 54.244            | 297.201                                   | -                                  | -                       | 351.445           |
| Profit Shares from Banks                               | -                 | -   | -                                  | -                       | -                 |
| Profit Shares from Securities                          | -                 | -   | 21.088                             | -                       | 21.088            |
| Other Profit Shares                                    | -                 | -   | 6.397                              | 14.337                  | 20.734            |
| <b>Profit Shares Expense</b>                           | <b>79.706</b>     | <b>107.240</b>                            | <b>24.937</b>                      | <b>-</b>                | <b>211.883</b>    |
| Profit Shares Expense on Participation Funds           | 79.706            | 107.240                                   | 41                                 | -                       | 186.987           |
| Profit Shares Expense on Funds Borrowed                | -                 | -   | 16.975                             | -                       | 16.975            |
| Profit Shares Expense on Money Market Transactions     | -                 | -   | 1.524                              | -                       | 1.524             |
| Profit Shares Expense on Securities Issued             | -                 | -   | 6.397                              | -                       | 6.397             |
| Other Profit Shares Expense                            | -                 | -   | -                                  | -                       | -                 |
| <b>Net Profit Shares Income/Expense</b>                | <b>(25.462)</b>   | <b>189.961</b>                            | <b>2.548</b>                       | <b>14.337</b>           | <b>181.384</b>    |
| <b>Net Fees and Commission Income/Expense</b>          | <b>2.000</b>      | <b>14.914</b>                             | <b>-</b>                           | <b>(3.147)</b>          | <b>13.767</b>     |
| Fees and Commissions Received                          | 2.000             | 14.914                                    | -                                  | 2.570                   | 19.484            |
| Fees and Commissions Paid                              | -                 | -   | -                                  | 5.717                   | 5.717             |
| <b>Dividend Income</b>                                 | <b>-</b>          | <b>-</b>                                  | <b>-</b>                           | <b>-</b>                | <b>-</b>          |
| <b>Trading Income/Loss (Net)</b>                       | <b>-</b>          | <b>-</b>                                  | <b>5.555</b>                       | <b>-</b>                | <b>5.555</b>      |
| <b>Other Operating Income</b>                          | <b>-</b>          | <b>-</b>                                  | <b>-</b>                           | <b>1.855</b>            | <b>1.855</b>      |
| <b>Provision for Loans or Other Receivables Losses</b> | <b>4.559</b>      | <b>26.062</b>                             | <b>-</b>                           | <b>11.329</b>           | <b>41.950</b>     |
| <b>Other Operating Expense</b>                         | <b>-</b>          | <b>150</b>                                | <b>-</b>                           | <b>90.838</b>           | <b>90.988</b>     |
| <b>Income Before Tax</b>                               | <b>(28.021)</b>   | <b>178.663</b>                            | <b>8.103</b>                       | <b>(89.122)</b>         | <b>69.623</b>     |
| <b>Tax Provision</b>                                   | <b>-</b>          | <b>-</b>                                  | <b>-</b>                           | <b>(15.953)</b>         | <b>(15.953)</b>   |
| <b>Net Profit/Loss</b>                                 | <b>(28.021)</b>   | <b>178.663</b>                            | <b>8.103</b>                       | <b>(105.075)</b>        | <b>53.670</b>     |
| <b>SEGMENT ASSETS</b>                                  |                   |   |                                    |                         |                   |
| Financial Assets at FV Through P/L                     | -                 | -   | 18                                 | -                       | 18                |
| Banks and Other Financial Institutions                 | -                 | -   | 794.282                            | -                       | 794.282           |
| Financial Assets Available for Sale (Net)              | -                 | -   | 502.900                            | -                       | 502.900           |
| Loans  | 1.152.963         | 6.590.998                                 | 181.796                            | -                       | 7.925.757         |
| Held to Maturity Investments (Net)                     | -                 | -   | -                                  | -                       | -                 |
| Associates, Subsidiaries and Joint Ventures            | -                 | -   | -                                  | -                       | -                 |
| Other Assets   | -                 | -   | -                                  | -                       | -                 |
| <b>Total Segment Assets</b>                            | <b>1.152.963</b>  | <b>6.590.998</b>                          | <b>1.478.996</b>                   | <b>1.702.481</b>        | <b>10.925.438</b> |
| <b>SEGMENT LIABILITIES</b>                             |                   |   |                                    |                         |                   |
| Funds Collected  | 4.611.032         | 2.778.537                                 | -                                  | -                       | 7.389.569         |
| Derivative Financial Liabilities Held for Trading      | -                 | -   | 2.926                              | -                       | 2.926             |
| Funds Borrowed   | -                 | -   | 1.678.469                          | -                       | 1.678.469         |
| Money Market Funds                                     | -                 | -   | 61.791                             | -                       | 61.791            |
| Securities Issued (Net)                                | -                 | -   | 202.597                            | -                       | 202.597           |
| Provisions   | -                 | -   | -                                  | 100.595                 | 100.595           |
| Other Liabilities                                      | -                 | -   | -                                  | 674.218                 | 674.218           |
| Shareholders' Equity                                   | -                 | -   | -                                  | 815.273                 | 815.273           |
| <b>Total Segment Liabilities</b>                       | <b>4.611.032</b>  | <b>2.778.537</b>                          | <b>1.945.783</b>                   | <b>1.590.086</b>        | <b>10.925.438</b> |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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            | 19.657         | 21.650           | 18.236         | 22.888           |
| Central Bank of the Republic of Turkey | 358.005        | 1.540.935        | 287.567        | 1.314.998        |
| Other                                  | 200            | 2.905            | -              | -                |
| <b>Total</b>                           | <b>377.862</b> | <b>1.565.490</b> | <b>305.803</b> | <b>1.337.886</b> |

##### 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 10,5%; for deposits up to 6-months maturity 7,5%; for deposits up to 1-year maturity 5,5%; for deposits 1-year and longer maturity 4%; for TL liabilities other than deposits up to 1-year maturity 10,5%; for TL liabilities other than deposits between 1- and 3-years maturity 7%; for TL liabilities other than deposits more than 3-years maturity 4%; 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 12%; for FC deposit accounts with 1-year and longer maturity 8%, for FC liabilities other than deposits up to 1-year maturity 24%; for FC liabilities other than deposits up to 2-years maturity 19%; for FC liabilities other than deposits up to 3-years maturity 14%; for FC liabilities other than deposits up to 5-years maturity 6%; and for FC liabilities other than deposits more than 5-years maturity 4%.

##### 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 | 349.457        | 4.494            | 282.078        | 18               |
| Unrestricted Time Deposit   | -              | -                | -              | -                |
| Restricted Time Deposit     | -              | -                | -              | -                |
| Required Reserves (1)       | 8.548          | 1.536.441        | 5.489          | 1.314.980        |
| <b>Total</b>                | <b>358.005</b> | <b>1.540.935</b> | <b>287.567</b> | <b>1.314.998</b> |

(1) TL 775.173 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2017: TL 659.896).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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. a) Information on banks and other financial institutions:

|                                  | Current Period |                | Current Period |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | TL             | FC             | TL             | FC             |
| Banks                            |                |                |                |                |
| Domestic Banks                   | 503.322        | 232.377        | 3.320          | 210.669        |
| Foreign Banks                    | -              | 93.196         | -              | 64.592         |
| Foreign Head Office and Branches | -              | -              | -              | -              |
| <b>Total</b>                     | <b>503.322</b> | <b>325.573</b> | <b>3.320</b>   | <b>275.261</b> |

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

|   | Current Period |
|---|----------------|
| Assets Subject to Repurchase Agreements | 668.232        |
| Assets Blocked/Given as Collateral      | 59.188         |
| <b>Total</b>                            | <b>727.420</b> |

Explanation regarding the comparison of net values of financial assets available-for-sale given or blocked as collateral and subject to repurchase agreements:

|   | Prior Period   |
|---|----------------|
| Assets Subject to Repurchase Agreements | 33.531         |
| Assets Blocked/Given as Collateral      | 459.837        |
| <b>Total</b>                            | <b>493.368</b> |

##### b) Information on financial assets available for sale through other comprehensive income:

|                              | Current Period |
|------------------------------|----------------|
| Debt Securities              | 887.844        |
| Quoted in Stock Exchange     | 875.610        |
| Not Quoted in Stock Exchange | 12.234         |
| Share Certificates           | 4.897          |
| Quoted in Stock Exchange     | -              |
| Not Quoted in Stock Exchange | 4.897          |
| Provision for Impairment (-) | 22.595         |
| <b>Total</b>                 | <b>870.146</b> |

(\*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.897.

|                              | Prior Period   |
|------------------------------|----------------|
| Debt Securities              | 527.845        |
| Quoted in Stock Exchange     | 520.133        |
| Not Quoted in Stock Exchange | 7.712          |
| Share Certificates           | 4.719          |
| Quoted in Stock Exchange     | -              |
| Not Quoted in Stock Exchange | 4.719          |
| Provision for Impairment (-) | 8.391          |
| <b>Total</b>                 | <b>524.173</b> |

(\*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 4.719.

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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)

##### 4. Financial assets measured at amortized cost:

###### a) Explanations on comparative net values of information regarding the repurchase and sale transactions and blocked / blocked receivables:

As of 30 June 2018, the Group has no financial assets at fair value through profit or loss subject to repo transactions or given as collateral/blocked (31 December 2017: None).

###### b) Information on government debt securities measured at amortized cost:

As of 30 June 2018, the Group has no government debt securities measured at amortized cost.

###### b.1) Information on government debt securities held to maturity:

As of 31 December 2017, the Group has no government debt securities held to maturity.

###### c) Information on financial assets measured at amortized cost:

As of 30 June 2018, the Group has no financial assets measured at amortized cost.

###### c.1) Information on financial assets held to maturity:

As of 31 December 2017, the Group has no financial assets held to maturity.

##### 5. Information on derivative financial assets

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

|  | Current Period |              |
|--|----------------|--------------|
|  | TL             | FC           |
| Derivative Financial Assets Held-for-Trading |                |              |
| Forward Transactions                         | 42             | 5.776        |
| Swap Transactions                            | -              | -            |
| Futures Transactions                         | -              | -            |
| Options                                      | -              | -            |
| Other  | -              | -            |
| <b>Total</b>                                 | <b>42</b>      | <b>5.776</b> |

###### b) Positive differences related to the derivative financial assets held-for-trading:

|  | Prior Period |          |
|--|--------------|----------|
|  | TL           | FC       |
| Derivative Financial Assets Held-for-Trading |              |          |
| Forward Transactions                         | 33           | 4        |
| Swap Transactions                            | -            | -        |
| Futures Transactions                         | -            | -        |
| Options                                      | -            | -        |
| Other  | -            | -        |
| <b>Total</b>                                 | <b>33</b>    | <b>4</b> |

##### 6. Expected Loss Provisions:

As of 30 June 2018, the amount of expected loss provisions (Stage 1) for financial assets shown in the balance sheet is TL 658.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

|   | Current Period   |          | Prior Period   |          |
|---|------------------|----------|----------------|----------|
|   | Cash             | Non-Cash | Cash           | Non-Cash |
| <b>Direct Loans Granted to Shareholders</b> | 1.251.231        | -        | 759.146        | -        |
| <i>Corporate Shareholders</i>               | 1.251.231        | -        | 759.146        | -        |
| <i>Real Person Shareholders</i>             | -                | -        | -              | -        |
| Indirect Loans Granted to Shareholders      | -                | -        | -              | -        |
| Loans Granted to Employees                  | 1.759            | -        | 1.112          | -        |
| <b>Total (*)</b>                            | <b>1.252.990</b> | <b>-</b> | <b>760.258</b> | <b>-</b> |

(\*) Includes rediscount amounts.

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

| Cash Loans                      | Standard Loans    | Loans Under Close Monitoring                         |                                   |               |
|---------------------------------|-------------------|--|-----------------------------------|---------------|
|                                 |                   | Not Under the Scope of Restructuring or Rescheduling | Restructured or Rescheduled       |               |
|                                 |                   |  | Loans with revised contract terms | Refinancing   |
| Loans                           |                   |  |                                   |               |
| Export Loans                    | 762.110           | 475  | -                                 | -             |
| Import Loans                    | 171.002           | 3.618  | -                                 | -             |
| Commercial Loans                | 9.045.534         | 142.637  | -                                 | 15.314        |
| Consumer Loans                  | 1.665.538         | 4.405  | -                                 | -             |
| Credit Cards                    | -                 | -  | -                                 | -             |
| Loans Given to Financial Sector | 1.249.964         | -  | -                                 | -             |
| Other                           | 470.133           | 26.627   | -                                 | -             |
| Other Receivables               | -                 | -  | -                                 | -             |
| Profit Share Income Accruals    | 507.998           | 31.539   | -                                 | 232           |
| <b>Total</b>                    | <b>13.872.279</b> | <b>209.301</b>                                       | <b>-</b>                          | <b>15.546</b> |

As of 30 June 2018, the Parent Bank has no loans and other receivables with revised contract terms (31 December 2017: None).

| General Provision                   | Standard Loans | Loans Under close monitoring |
|-------------------------------------|----------------|------------------------------|
| 12 Month Expected Credit Losses     | 29.081         | -                            |
| Significant Increase in Credit Risk | -              | 15.343                       |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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. Information related to loans (Continued):

| No. of extensions         | Standard Loans | Loans                  |
|---------------------------|----------------|------------------------|
|                           |                | Under close monitoring |
| 1 or 2 Times Extended     | -              | 15.546                 |
| 3 - 4 or 5 Times Extended | -              | -                      |
| Over 5 Times Extended     | -              | -                      |
| <b>Total</b>              | -              | <b>15.546</b>          |

| Extension Periods    | Standard Loans | Loans                  |
|----------------------|----------------|------------------------|
|                      |                | Under close monitoring |
| 0 - 6 Months         | -              | 7.247                  |
| 6 Months – 12 Months | -              | 802                    |
| 1 - 2 Years          | -              | 4.521                  |
| 2 - 5 Years          | -              | 2.976                  |
| 5 Years and Over     | -              | -                      |
| <b>Total</b>         | -              | <b>15.546</b>          |



**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(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. Information related to loans (Continued):****c) Information on consumer loans, individual credit cards and personnel loans and personnel credit cards:**

|   | Short-Term   | Medium and Long-Term | Total            |
|---|--------------|----------------------|------------------|
| <b>Consumer Loans - TL</b>                | <b>3.239</b> | <b>1.664.953</b>     | <b>1.668.192</b> |
| Real Estate Loans                         | 822          | 1.507.670            | 1.508.492        |
| Vehicle Loans                             | 1.700        | 88.067               | 89.767           |
| Consumer Loans                            | 717          | 69.216               | 69.933           |
| Other                                     | -            | -                    | -                |
| <b>Consumer Loans-FC Indexed</b>          | -            | -                    | -                |
| Housing Loans                             | -            | -                    | -                |
| Vehicle Loans                             | -            | -                    | -                |
| Consumer Loans                            | -            | -                    | -                |
| Other                                     | -            | -                    | -                |
| <b>Consumer Loans-FC</b>                  | -            | -                    | -                |
| Housing Loans                             | -            | -                    | -                |
| Vehicle Loans                             | -            | -                    | -                |
| Consumer Loans                            | -            | -                    | -                |
| Other                                     | -            | -                    | -                |
| <b>Retail Credit Cards-TL</b>             | -            | -                    | -                |
| With Installment                          | -            | -                    | -                |
| Without Installment                       | -            | -                    | -                |
| <b>Retail Credit Cards-FC</b>             | -            | -                    | -                |
| With Installment                          | -            | -                    | -                |
| Without Installment                       | -            | -                    | -                |
| <b>Personnel Loans-TL</b>                 | <b>146</b>   | <b>1.605</b>         | <b>1.751</b>     |
| Housing Loans                             | -            | -                    | -                |
| Vehicle Loans                             | -            | 113                  | 113              |
| Consumer Loans                            | 146          | 1.492                | 1.638            |
| Other                                     | -            | -                    | -                |
| <b>Personnel Loans-FC Indexed</b>         | -            | -                    | -                |
| Housing Loans                             | -            | -                    | -                |
| Vehicle Loans                             | -            | -                    | -                |
| Consumer Loans                            | -            | -                    | -                |
| Other                                     | -            | -                    | -                |
| <b>Personnel Loans-FC</b>                 | -            | -                    | -                |
| Housing Loans                             | -            | -                    | -                |
| Vehicle Loans                             | -            | -                    | -                |
| Consumer Loans                            | -            | -                    | -                |
| Other                                     | -            | -                    | -                |
| <b>Personnel Credit Cards-TL</b>          | -            | -                    | -                |
| With Installment                          | -            | -                    | -                |
| Without Installment                       | -            | -                    | -                |
| <b>Personnel Credit Cards-FC</b>          | -            | -                    | -                |
| Installment based                         | -            | -                    | -                |
| Without Installment                       | -            | -                    | -                |
| <b>Overdraft Account-TL (Real Person)</b> | -            | -                    | -                |
| <b>Overdraft Account-FC (Real Person)</b> | -            | -                    | -                |
| <b>Total (*)</b>                          | <b>3.385</b> | <b>1.666.558</b>     | <b>1.669.943</b> |

(\*) Dividend rediscount amounting to TL 7.802 is not included in the table.

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(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. Information related to loans (Continued):****d) Information on commercial installment loans and corporate credit cards:**

|  | Short-Term    | Medium and Long-Term | Total          |
|--|---------------|----------------------|----------------|
| <b>Commercial Installment Loans-TL</b>             | <b>51.414</b> | <b>196.627</b>       | <b>248.041</b> |
| Business Loans                                     | 2.086         | 32.937               | 35.023         |
| Vehicle Loans                                      | 49.328        | 163.690              | 213.018        |
| Consumer Loans                                     | -             | -                    | -              |
| Other  | -             | -                    | -              |
| <b>Commercial Installment Loans- Indexed to FC</b> | <b>-</b>      | <b>57.850</b>        | <b>57.850</b>  |
| Business Loans                                     | -             | -                    | -              |
| Vehicle Loans                                      | -             | 57.850               | 57.850         |
| Consumer Loans                                     | -             | -                    | -              |
| Other  | -             | -                    | -              |
| <b>Commercial Installment Loans - FC</b>           | <b>-</b>      | <b>-</b>             | <b>-</b>       |
| Business Loans                                     | -             | -                    | -              |
| Vehicle Loans                                      | -             | -                    | -              |
| Consumer Loans                                     | -             | -                    | -              |
| Other  | -             | -                    | -              |
| <b>Corporate Credit Cards-TL</b>                   | <b>-</b>      | <b>-</b>             | <b>-</b>       |
| With Installment                                   | -             | -                    | -              |
| Without Installment                                | -             | -                    | -              |
| <b>Corporate Credit Cards-FC</b>                   | <b>-</b>      | <b>-</b>             | <b>-</b>       |
| With Installment                                   | -             | -                    | -              |
| Without Installment                                | -             | -                    | -              |
| <b>Overdraft Account-TL (Legal Entity)</b>         | <b>-</b>      | <b>-</b>             | <b>-</b>       |
| <b>Overdraft Account-FC (Legal Entity)</b>         | <b>-</b>      | <b>-</b>             | <b>-</b>       |
| <b>Total</b>                                       | <b>51.414</b> | <b>254.928</b>       | <b>306.342</b> |

**e) Breakdown of domestic and international loans:**

|                                       | Current Period    | Prior Period      |
|---------------------------------------|-------------------|-------------------|
| Domestic Loans                        | 13.557.357        | 10.917.553        |
| Foreign Loans                         | -                 | 75.606            |
| Profit Share Income Accruals of Loans | 539.769           | 364.832           |
| <b>Total</b>                          | <b>14.097.126</b> | <b>11.357.991</b> |

**f) Loans Granted to Subsidiaries and Participations:**

As of 30 June 2018, the Parent Bank has no loans granted to subsidiaries and participations (31 December 2017: None).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(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. Information related to loans (Continued):****g) Credit-Impaired Losses (Stage 3 / Specific Provision):**

|  | Current Period |
|--|----------------|
| Loans and receivables with limited collectability  | 2.406          |
| Loans and receivables with doubtful collectability | 7.797          |
| Uncollectible loans and receivables                | 19.898         |
| <b>Total</b>                                       | <b>30.101</b>  |

**Specific provision provided for loans:**

|  | Prior Period  |
|--|---------------|
| Loans and receivables with limited collectability  | 1.449         |
| Loans and receivables with doubtful collectability | 2.866         |
| Uncollectible loans and receivables                | 13.773        |
| <b>Total</b>                                       | <b>18.088</b> |

**h) Information on lease receivables**

|                   | Current Period |                | Prior Period   |                |
|-------------------|----------------|----------------|----------------|----------------|
|                   | Gross          | Net            | Gross          | Net            |
| Less than 1 year  | 725            | 709            | 1.550          | 1.508          |
| 1-5 year          | 519.885        | 448.380        | 290.718        | 248.978        |
| More than 5 years | 169.384        | 122.450        | 187.183        | 122.458        |
| <b>Total</b>      | <b>689.994</b> | <b>571.539</b> | <b>479.451</b> | <b>372.944</b> |

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

As of 30 June 2018 the Parent Bank has no loans and other receivables included in non-performing receivables which are restructured or rescheduled.

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

|   | Group III:<br>Loans and other<br>receivables with<br>limited collectability | Group IV:<br>Loans and other<br>receivables with<br>doubtful collectability | Group V:<br>Uncollectible<br>loans and other<br>receivables |
|---|---|---|---|
| <b>Ending balance of prior period</b>                       | 7.584   | 9.562   | 17.695  |
| Additions in the current period (+)                         | 21.755  | 2.312   | 1.217   |
| Transfers from other categories of non-performing loans (+) | -   | 15.279  | 11.623  |
| Transfers to other categories of non-performing loans (-)   | 15.279  | 11.623  | -   |
| Collections in the current period (-)                       | 8.770   | 550   | 3.514   |
| Write offs (-)  | -   | -   | -   |
| Sold (-)  | -   | -   | -   |
| Corporate and commercial loans                              | -   | -   | -   |
| Retail loans  | -   | -   | -   |
| Credit cards  | -   | -   | -   |
| Other   | -   | -   | -   |
| <b>Ending balance of the current period</b>                 | <b>5.290</b>  | <b>14.980</b>   | <b>27.021</b>   |
| Specific provisions (-)                                     | 2.406   | 7.797   | 19.898  |
| <b>Net balance at the balance sheet</b>                     | <b>2.884</b>  | <b>7.183</b>  | <b>7.123</b>  |

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

As of 30 June 2018, the amount of receivable from foreign currency non-performing loans TL 1.110 (31 December 2017: None).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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. Information related to loans (Continued):

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

|  | <b>Group III:<br/>Loans and other<br/>receivables with<br/>limited<br/>collectability</b> | <b>Group IV:<br/>Loans and other<br/>receivables with<br/>doubtful<br/>collectability</b> | <b>Group V:<br/>Uncollectible<br/>loans and other<br/>receivables</b> |
|--|---|---|---|
| <b>Current Period (Net)</b>                      | <b>2.884</b>  | <b>7.204</b>  | <b>7.709</b>  |
| Loans to Real Persons and Legal Entities (Gross) | 5.290   | 14.980  | 27.021  |
| Specific Provisions (-)                          | 2.406   | 7.797   | 19.898  |
| Loans to Real Persons and Legal Entities (Net)   | 2.884   | 7.183   | 7.123   |
| Banks (Gross)                                    | -   | -   | -   |
| Specific Provisions (-)                          | -   | -   | -   |
| Banks (Net)                                      | -   | -   | -   |
| Other Loans and Receivables (Gross)              | -   | -   | -   |
| Specific Provisions (-)                          | -   | -   | -   |
| Other Loans and Receivables (Net)                | -   | -   | -   |
| <b>Prior Period (Net)</b>                        | <b>6.135</b>  | <b>6.696</b>  | <b>3.922</b>  |
| Loans to Real Persons and Legal Entities (Gross) | 7.584   | 9.146   | 17.695  |
| Specific Provisions (-)                          | 1.449   | 2.450   | 13.773  |
| Loans to Real Persons and Legal Entities (Net)   | 6.135   | 6.696   | 3.922   |
| Banks (Gross)                                    | -   | -   | -   |
| Specific Provisions (-)                          | -   | -   | -   |
| Banks (Net)                                      | -   | -   | -   |
| Other Loans and Receivables (Gross)              | -   | 416   | -   |
| Specific Provisions (-)                          | -   | 416   | -   |
| 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:**

|  | <b>Group III:<br/>Loans with<br/>limited<br/>collectability</b> | <b>Group IV:<br/>Loans with<br/>doubtful<br/>collectability</b> | <b>Group V:<br/>Uncollectible<br/>loans</b> |
|--|---|---|---|
| <b>Period End Balance</b>                                |   |   |   |
| Profit Share Accrual and Valuation Differences Provision | 54  | 486   | 1.328                                       |

##### 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 JUNE 2018

(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)

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

As of 30 June 2018, the amount of assets due to trading is TL 4.259 (31 December 2017: TL 3.561).

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

As of 30 June 2018, the Bank has no discontinued operations (31 December 2017: None).

###### 9. EQUITY INVESTMENTS

###### a) Information about investments in associates (Net):

As of 30 June 2018, the Parent Bank has no investments in associates (31 December 2017: None).

###### b) Information on subsidiaries (Net):

###### b1) Information on consolidated subsidiaries:

As of 30 June 2018, the Parent Bank has no consolidated associates (31 December 2017: None).

###### b2) Information on consolidated subsidiaries:

|   | Name                                | Adress<br>(City/Country) | Bank's share<br>percentage – if<br>different voting<br>percentage (%) | Risk share<br>percentage of<br>other<br>shareholders (%) |
|---|-------------------------------------|--------------------------|---|--|
| 1 | Ziraat Katılım Varlık Kiralama A.Ş. | İstanbul / TÜRKİYE       | 100   | 100  |
| 2 | ZKB Varlık Kiralama A.Ş.            | İstanbul / TÜRKİYE       | 100   | 100  |

|                  | Total<br>Assets | Sharehold<br>ers Equity | Total<br>Fixed<br>Assets | Dividend<br>or profit<br>share<br>income | Income from<br>marketable<br>securities | Current<br>Period<br>Income/<br>Loss | Prior period<br>income/loss | Fair Value | Needed<br>shareholders<br>Equity |
|------------------|-----------------|-------------------------|--------------------------|--|---|--------------------------------------|-----------------------------|------------|----------------------------------|
| 1 <sup>(*)</sup> | 789.072         | 57                      | -                        | 44.588                                   | -                                       | 5                                    | 1                           | -          | -                                |
| 2 <sup>(*)</sup> | 56              | 3                       | -                        | -  | -                                       | (34)                                 | -                           | -          | -                                |

(\*) Unaudited financial statements used.

###### b2) Information on consolidated subsidiaries:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Balance at the beginning of the year             | 100            | 50           |
| Movements during the year                        | -              | 50           |
| Included in the scope of consolidation           | -              | 50           |
| Purchases  | -              | -            |
| Bonus Share                                      | -              | -            |
| Dividends from current year income               | -              | -            |
| Transfers to available for sale financial assets | -              | -            |
| Sales  | -              | -            |
| Revaluation increase                             | -              | -            |
| Balance at the end of the year                   | 100            | 100          |
| Capital commitments                              | -              | -            |
| Share percentage at the end of the year (%)      | -              | -            |

(\*) Paid capital increases during the period are shown under "Purchases".

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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)

##### B3) 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.4) Subsidiaries that are quoted on the stock exchange:

As of 30 June 2018, the Parent Bank has no subsidiaries are quoted on the stock exchange (31 December 2017: None).

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

As of 30 June 2018, there are no entities under common control of the Parent Bank (31 December 2017: None).

##### 10. Explanations on property and equipment:

|  | Immovables | Tangibles-<br>Financial<br>Leasing | Vehicles | Operational<br>Leasing<br>Development<br>Costs | Other<br>Tangibles | Total         |
|--|------------|------------------------------------|----------|--|--------------------|---------------|
| <b>Prior Period End:</b>                               |            |                                    |          |  |                    |               |
| Cost   | -          | -                                  | -        | 25.251   | 47.138             | 72.389        |
| Accumulated Depreciation (-)                           | -          | -                                  | -        | 9.264  | 15.890             | 25.154        |
| <b>Net Book Value</b>                                  | -          | -                                  | -        | <b>15.987</b>                                  | <b>31.248</b>      | <b>47.235</b> |
| <b>Current Period End:</b>                             |            |                                    |          |  |                    |               |
| Net Book Value at the Beginning of the Period          | -          | -                                  | -        | 15.987   | 31.248             | 47.235        |
| Change During the Period (Net)                         | -          | -                                  | -        | 167  | 80                 | 247           |
| Cost   | -          | -                                  | -        | 2.837  | 4.817              | 7.654         |
| Amortization (Net) (-)                                 | -          | -                                  | -        | 2.670  | 4.737              | 7.407         |
| Provision for Impairment (-)                           | -          | -                                  | -        | -  | -                  | -             |
| Net Currency Translation from Foreign Subsidiaries (-) | -          | -                                  | -        | -  | -                  | -             |
| Cost at Period End                                     | -          | -                                  | -        | 28.088   | 51.955             | 80.043        |
| Accumulated Depreciation at Period End (-)             | -          | -                                  | -        | 11.934   | 20.627             | 32.561        |
| <b>Closing Net Book Value</b>                          | -          | -                                  | -        | <b>16.154</b>                                  | <b>31.328</b>      | <b>47.482</b> |

- a) The impairment provision set or cancelled in the current period according to the asset groups not individually significant but materially affecting the overall financial statements, and the reason and conditions for this: None.
- b) Pledges, mortgages and other restrictions on the tangible fixed assets, expenses arising from the construction for tangible fixed assets, commitments given for the purchases 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      | 79.195         | 9.380                    | 69.815        | 69.787        | 6.507                    | 63.280        |
| <b>Total</b>           | <b>79.195</b>  | <b>9.380</b>             | <b>69.815</b> | <b>69.787</b> | <b>6.507</b>             | <b>63.280</b> |

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

## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

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

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#### **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 June 2018, the Parent Bank has no investment properties (31 December 2017: None).

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

As of 30 June 2018, the Parent Bank has no assets related to tax (31 December 2017: None).

###### **14. Information on deferred tax asset:**

The Parent Bank's deferred tax asset is calculated as TL 38.197 (31 December 2017: TL 16.094) however it's reflected on the financial statements as TL 34.423 (31 December 2017: TL 14.093) by offsetting with deferred tax liability.

###### **14. Information on other assets:**

As of 30 June 2018, other assets of Group 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 JUNE 2018

(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 1 year   | 1 year and over | Accumulated profit sharing accounts | Total             |
|--|------------------|----------------|------------------|----------------|----------------|-----------------|-------------------------------------|-------------------|
| I. Real persons current accounts-TL            | 235.825          | -              | -                | -              | -              | -               | -                                   | 235.825           |
| II. Real persons profit sharing accounts TL    | -                | 357.087        | 2.625.832        | 41.804         | 30.332         | 181.864         | -                                   | 3.236.919         |
| III. Other current accounts-TL                 | 419.340          | -              | -                | -              | -              | -               | -                                   | 419.340           |
| Public sector                                  | 11.228           | -              | -                | -              | -              | -               | -                                   | 11.228            |
| Commercial sector                              | 388.677          | -              | -                | -              | -              | -               | -                                   | 388.677           |
| Other institutions                             | 19.037           | -              | -                | -              | -              | -               | -                                   | 19.037            |
| Commercial and other institutions              | 379              | -              | -                | -              | -              | -               | -                                   | 379               |
| Banks and participation banks                  | 19               | -              | -                | -              | -              | -               | -                                   | 19                |
| Central Bank of Republic of Turkey             | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Domestic banks                                 | 10               | -              | -                | -              | -              | -               | -                                   | 10                |
| Foreign banks                                  | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Participation banks                            | 9                | -              | -                | -              | -              | -               | -                                   | 9                 |
| Others   | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| IV. Profit sharing accounts-TL                 | -                | 179.988        | 2.911.237        | 533.561        | 311.919        | 36.556          | -                                   | 3.973.261         |
| Public sector                                  | -                | 703            | 421.453          | 345.202        | 102.006        | 4.853           | -                                   | 874.217           |
| Commercial sector                              | -                | 168.587        | 1.875.544        | 181.821        | 62.152         | 18.362          | -                                   | 2.306.466         |
| Other institutions                             | -                | 10.698         | 574.101          | 6.538          | 147.761        | 13.341          | -                                   | 752.439           |
| Commercial and other institutions              | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Banks and participation banks                  | -                | -              | 40.139           | -              | -              | -               | -                                   | 40.139            |
| V. Real persons current accounts-FC            | 220.340          | -              | -                | -              | -              | -               | -                                   | 220.340           |
| VI. Real persons profit sharing accounts-FC    | -                | 206.403        | 1.786.126        | 54.175         | 42.525         | 211.565         | -                                   | 2.300.794         |
| VII. Other current accounts-FC                 | 626.675          | -              | -                | -              | -              | -               | -                                   | 626.675           |
| Commercial residents in Turkey                 | 624.144          | -              | -                | -              | -              | -               | -                                   | 624.144           |
| Commercial residents in Abroad                 | 1.945            | -              | -                | -              | -              | -               | -                                   | 1.945             |
| Banks and participation banks                  | 586              | -              | -                | -              | -              | -               | -                                   | 586               |
| Central Bank of Republic of Turkey             | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Domestic banks                                 | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Foreign banks                                  | 586              | -              | -                | -              | -              | -               | -                                   | 586               |
| Participation banks                            | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Others   | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| VIII. Profit sharing accounts- FC              | -                | 37.078         | 1.831.133        | 21.088         | 180.306        | 92.020          | -                                   | 2.161.625         |
| Public sector                                  | -                | 584            | 34.162           | -              | -              | -               | -                                   | 34.746            |
| Commercial sector                              | -                | 36.494         | 1.656.367        | 21.051         | 180.306        | 92.020          | -                                   | 1.986.238         |
| Other institutions                             | -                | -              | 140.441          | 37             | -              | -               | -                                   | 140.478           |
| Commercial and other institutions              | -                | -              | 163              | -              | -              | -               | -                                   | 163               |
| Banks and participation banks                  | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| IX. Precious metal funds                       | 97.144           | -              | 143.240          | 13.985         | 1.645          | 2.137           | -                                   | 258.151           |
| X. Profit sharing accounts special funds - TL  | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents in Turkey                            | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents Abroad                               | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| XI. Profit sharing accounts special funds - FC | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents in Turkey                            | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents Abroad                               | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| <b>Total I+II+.....+IX+X+XI</b>                | <b>1.599.324</b> | <b>780.556</b> | <b>9.297.568</b> | <b>664.613</b> | <b>566.727</b> | <b>524.142</b>  | <b>-</b>                            | <b>13.432.930</b> |



# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

| Prior Period                                   | Demand           | Up to 1 Month  | Up to 3 Months   | Up to 6 months | Up to 1 year   | 1 year and over | Accumulated profit sharing accounts | Total             |
|--|------------------|----------------|------------------|----------------|----------------|-----------------|-------------------------------------|-------------------|
| I. Real persons current accounts-TL            | 169.913          | -              | -                | -              | -              | -               | -                                   | 169.913           |
| II Real persons profit sharing accounts TL     | -                | 339.006        | 2.206.716        | 26.540         | 29.403         | 67.732          | -                                   | 2.669.397         |
| III Other current accounts-TL                  | 431.162          | -              | -                | -              | -              | -               | -                                   | 431.162           |
| Public sector                                  | 99.145           | -              | -                | -              | -              | -               | -                                   | 99.145            |
| Commercial sector                              | 317.559          | -              | -                | -              | -              | -               | -                                   | 317.559           |
| Other institutions                             | 14.432           | -              | -                | -              | -              | -               | -                                   | 14.432            |
| Commercial and other institutions              | 23               | -              | -                | -              | -              | -               | -                                   | 23                |
| Banks and participation banks                  | 3                | -              | -                | -              | -              | -               | -                                   | 3                 |
| Central Bank of Republic of Turkey             | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Domestic banks                                 | 3                | -              | -                | -              | -              | -               | -                                   | 3                 |
| Foreign banks                                  | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Participation banks                            | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Others   | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| IV. Profit sharing accounts-TL                 | -                | 288.729        | 2.247.646        | 321.549        | 156.951        | 60.491          | -                                   | 3.075.366         |
| Public sector                                  | -                | 166.212        | 581.393          | 196.370        | 25.827         | -               | -                                   | 969.802           |
| Commercial sector                              | -                | 117.818        | 1.472.701        | 118.790        | 13.825         | 10.444          | -                                   | 1.733.578         |
| Other institutions                             | -                | 4.699          | 188.545          | 6.389          | 117.299        | 50.047          | -                                   | 366.979           |
| Commercial and other institutions              | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Banks and participation banks                  | -                | -              | 5.007            | -              | -              | -               | -                                   | 5.007             |
| V. Real persons current accounts-FC            | 162.883          | -              | -                | -              | -              | -               | -                                   | 162.883           |
| VI. Real persons profit sharing accounts-FC    | -                | 150.266        | 1.350.227        | 36.220         | 41.553         | 61.061          | -                                   | 1.639.327         |
| VII. Other current accounts-FC                 | 824.647          | -              | -                | -              | -              | -               | -                                   | 824.647           |
| Commercial residents in Turkey                 | 816.850          | -              | -                | -              | -              | -               | -                                   | 816.850           |
| Commercial residents in Abroad                 | 7.462            | -              | -                | -              | -              | -               | -                                   | 7.462             |
| Banks and participation banks                  | 335              | -              | -                | -              | -              | -               | -                                   | 335               |
| Central Bank of Republic of Turkey             | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Domestic banks                                 | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Foreign banks                                  | 263              | -              | -                | -              | -              | -               | -                                   | 263               |
| Participation banks                            | 72               | -              | -                | -              | -              | -               | -                                   | 72                |
| Others   | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| VIII. Profit sharing accounts- FC              | -                | 37.478         | 848.801          | 18.769         | -              | -               | -                                   | 905.048           |
| Public sector                                  | -                | 1.948          | 15.379           | -              | -              | -               | -                                   | 17.327            |
| Commercial sector                              | -                | 35.503         | 580.639          | 18.744         | -              | -               | -                                   | 634.886           |
| Other institutions                             | -                | 27             | 244.731          | 25             | -              | -               | -                                   | 244.783           |
| Commercial and other institutions              | -                | -              | 8.052            | -              | -              | -               | -                                   | 8.052             |
| Banks and participation banks                  | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| IX. Precious metal funds                       | 62.451           | -              | 77.863           | 2.277          | 1.310          | 2.842           | -                                   | 146.743           |
| X. Profit sharing accounts special funds - TL  | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents in Turkey                            | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents Abroad                               | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| XI. Profit sharing accounts special funds - FC | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents in Turkey                            | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| Residents Abroad                               | -                | -              | -                | -              | -              | -               | -                                   | -                 |
| <b>Total (I+II+.....+IX+X+XI)</b>              | <b>1.651.056</b> | <b>815.479</b> | <b>6.731.253</b> | <b>405.355</b> | <b>229.217</b> | <b>192.126</b>  | <b>-</b>                            | <b>10.024.486</b> |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

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

###### a.2) Exceeding Amounts of Insurance Limit:

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

|  | Under the<br>guarantee of<br>saving<br>deposit insurance | Exceeding<br>the limit of<br>saving<br>deposit | Under the<br>guarantee of<br>saving<br>deposit insurance | Exceeding<br>the limit of<br>saving<br>deposit |
|--|--|--|--|--|
|  | Current Period   | Prior Period                                   | Current Period   | Prior Period                                   |
| Real persons current and profit sharing accounts that are not subject to commercial activities | 2.570.531  | 2.166.684                                      | 3.657.231  | 2.609.688                                      |
| TL accounts  | 1.913.070  | 1.651.791                                      | 1.559.856  | 1.187.518                                      |
| FC accounts  | 657.461  | 514.893  | 2.097.375  | 1.422.170                                      |
| 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 | 571            | 431          |
| 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                   | -              | -                | 410.436        | -                |
| From Domestic Banks and Institutions       | 10.014         | 866.748          | 8.938          | 523.098          |
| From Foreign Banks, Institutions and Funds | -              | 422.556          | -              | 1.106.838        |
| <b>Total</b>                               | <b>10.014</b>  | <b>1.289.304</b> | <b>419.374</b> | <b>1.629.936</b> |

###### b) Information on banks and other financial institutions:

|                      | Current Period |                  | Prior Period   |                  |
|----------------------|----------------|------------------|----------------|------------------|
|                      | TL             | FC               | TL             | FC               |
| Short-term           | 10.014         | 679.853          | 419.374        | 291.782          |
| Medium and Long-term | -              | 609.451          | -              | 1.338.154        |
| <b>Total</b>         | <b>10.014</b>  | <b>1.289.304</b> | <b>419.374</b> | <b>1.629.936</b> |

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

73% of liabilities consist of current and share profit account.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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)

##### 3. Funds provided under repurchasing agreements:

|                        | Current Period |    | Prior Period  |    |
|------------------------|----------------|----|---------------|----|
|                        | TL             | FC | TL            | FC |
| <b>Domestic</b>        | <b>611.970</b> | -  | <b>32.462</b> | -  |
| Financial Institutions | 611.970        | -  | 32.462        | -  |
| <b>Abroad</b>          | -              | -  | -             | -  |
| Financial Institutions | -              | -  | -             | -  |
| <b>Total</b>           | <b>611.970</b> | -  | <b>32.462</b> | -  |

##### 4. Information on securities issued:

|                        | Current Period |    | Prior Period   |    |
|------------------------|----------------|----|----------------|----|
|                        | TL             | FC | TL             | FC |
| Bonds                  | -              | -  | -              | -  |
| Asset based securities | 788.445        | -  | 557.804        | -  |
| Stocks                 | -              | -  | -              | -  |
| <b>Total</b>           | <b>788.445</b> | -  | <b>557.804</b> | -  |

As of 30 June 2018, the Group has TL 788.445 securities issued (31 December 2017: TL 557.804).

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

None.

##### 6. Information on derivative financial liabilities:

As of 30 June 2018, the Group's derivative financial liabilities are TL 4.568.

##### Negative differences table regarding to derivative financial liabilities held for trading:

|  | Prior Period |              |
|--|--------------|--------------|
|  | TL           | FC           |
| Derivative financial assets held for trading |              |              |
| Forward transactions                         | -            | 6.280        |
| Swap transactions                            | -            | -            |
| Futures transaction                          | -            | -            |
| Options transaction                          | -            | -            |
| Other  | -            | -            |
| <b>Total</b>                                 | <b>-</b>     | <b>6.280</b> |

##### 7. Information on Financial Lease Obligations:

None.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 general provisions:

|  | Prior Period  |
|--|---------------|
| <b>General Provisions</b>  | <b>99,082</b> |
| I.For Loans and Receivables in Group I (Total)                             | 89,433        |
| Profit Sharing Accounts' Share   | 62,132        |
| The Bank's Share   | 27,301        |
| Other  | -             |
| I.Additional Provision for Loans and Receivables with Extended Maturities  | -             |
| Profit Sharing Accounts' Share   | -             |
| The Bank's Share   | -             |
| Other  | -             |
| II.Loans and Receivables in Group II (Total)                               | 714           |
| Profit Sharing Accounts' Share   | 603           |
| The Bank's Share   | 111           |
| Other  | -             |
| II.Additional Provision for Loans and Receivables with Extended Maturities | -             |
| Profit Sharing Accounts' Share   | -             |
| The Bank's Share   | -             |
| Other  | -             |
| Provisions for Non Cash Loans  | 8,111         |
| Other  | 824           |

##### b) Information on provisions related with foreign currency evaluation difference of foreign currency indexed loans and Financial Lease Obligations:

Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is TL 144 (31 December 2017: TL 6.045).

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

Specific provisions for unindemnified non-cash loans amount to TL 1.642 (31 December 2017: TL 177).

##### d) Information on other provisions:

##### d.1) Information on free provisions for possible risks:

None (31 December 2017: None).

##### d.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 75.770 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 2017: TL 36.398).

The Bank has provided specific provisions amounting to TL 1.642 for non-cash loans that are not indemnified, amounting TL 15.020 for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 2.325 for other provisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(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):****e) Information on provisions for employee benefits:****e.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 June 2018, the amount payable consists of one month's salary limited to a maximum of TL 5.001 (full TL) (31 December 2017: TL 4.732 (full TL)) for each year of service.

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

|                   | Current Period |
|-------------------|----------------|
| Discount Rate (%) | 4,77           |

**e.2) Movements in the reserve for employment termination benefits during period are as follows:**

|                                  | Current Period | Prior Period |
|----------------------------------|----------------|--------------|
| Balance at the 1 January         | 2.330          | 780          |
| Changes during the period        | 781            | 1.550        |
| Paid during the period           | -              | -            |
| Actuarial loss/(gain)            | -              | -            |
| Balance at the end of the period | 3.111          | 2.330        |

As of 30 June 2018, the Bank has a TL 3.547 short-run employees' rights provision (31 December 2017: TL 2.389).

**e.3) 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 2017, no technical deficit has been reported.

The basic actuarial assumptions used are as follows:

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Discount rates                                |                |              |
| - Pension benefits will be transferred to SSI | 9,80%          | 9,80%        |
| - Health benefits will be transferred to SSI  | 9,80%          | 9,80%        |

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

The Parent Bank has allocated a provision amounting to TL 6.500 based on the bonus to be paid by the resolution of the General Assembly.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 June 2018, the Group's corporate income tax liability is TL 19.324 after deducting temporary taxes paid during the period from the tax provisions (31 December 2017: TL 12.996).

##### b) Information on taxes payable:

|   | Current Period | Prior Period  |
|---|----------------|---------------|
| Corporate Tax Payable                     | 19.324         | 12.996        |
| Taxation on Income From Securities        | 10.326         | 7.251         |
| Property Tax                              | 154            | 132           |
| Banking Insurance Transactions Tax (BITT) | 7.903          | 5.074         |
| Foreign Exchange Transactions Tax         | -              | -             |
| Value Added Tax Payable                   | 1.463          | 571           |
| Other                                     | 1.210          | 1.140         |
| <b>Total</b>                              | <b>40.380</b>  | <b>27.164</b> |

##### c) Information on premiums:

|  | Current Period | Prior Period |
|--|----------------|--------------|
| Social Security Premiums – Employee                    | -              | -            |
| Social Security Premiums – Employer                    | 1              | 2            |
| 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                      | 70             | 92           |
| Unemployment Insurance – Employer                      | 140            | 183          |
| Other  | -              | -            |
| <b>Total</b>   | <b>211</b>     | <b>277</b>   |

##### 10. Information on deferred tax liabilities, if any:

The Group's deferred tax liability amounts to TL 3.774 (31 December 2017: TL 2.001) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 34.423 (31 December 2017: TL 14.093) is presented 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 2017: None).

##### 12. Explanations on subordinated debts:

The Group does not have any subordinated debts (31 December 2017: None).

##### 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.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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:

##### a) Presentation on paid-in capital:

|                 | Current Period | Prior Period |
|-----------------|----------------|--------------|
| Common stock    | 1.250.000      | 1.250.000    |
| 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:

According to decision taken at the 2017 Ordinary General Assembly held on 17 April 2018, it has been decided to allocate financial obligations amounting to TL 46.907 from the TL 199.974 accounting profit and allocate TL 7.653 general legal reserves which is 5% of TL 153.067 net profit for the period, and it has been decided to allocate TL 10,000 of the rest of the amount to personnel as additional bonus and TL 1.000 (10% of this amount) to provision and remaining TL 134.414 to Bank.

##### 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 2017: 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 for the prior period (31 December 2017 : None).

##### g) Information on preferred shares:

As of 30 June 2018, the Group has no preferred shares (31 December 2017: None).

##### h) Information on marketable securities value increase fund:

|   | Current Period  |             |
|---|-----------------|-------------|
|   | TL              | FC          |
| From Subsidiaries, Associates and Entities under Common Control | -               | -           |
| Revaluation Difference  | -               | -           |
| Foreign Exchange Difference                                     | -               | -           |
| From Available for Sale Marketable Securities                   | (31.564)        | (36)        |
| Revaluation Difference  | (40.343)        | (36)        |
| Deferred Tax Effect   | 8.779           | -           |
| Foreign Exchange Difference                                     | -               | -           |
| <b>Total</b>  | <b>(31.564)</b> | <b>(36)</b> |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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)

##### h) Information on marketable securities value increase fund (Continued):

|   | Prior Period    |             |
|---|-----------------|-------------|
|   | TL              | FC          |
| From Subsidiaries, Associates and Entities under Common Control | -               | -           |
| Revaluation Difference  | -               | -           |
| Foreign Exchange Difference                                     | -               | -           |
| From Available for Sale Marketable Securities                   | (14.901)        | (11)        |
| Revaluation Difference  | (18.955)        | (11)        |
| Deferred Tax Effect   | 4.054           | -           |
| Foreign Exchange Difference                                     | -               | -           |
| <b>Total</b>  | <b>(14.901)</b> | <b>(11)</b> |

##### i) Explanations on minority shares:

None (31 December 2017: None).

#### 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   | 183.126        | 61.911         |
| Other Irrevocable Commitments                    | -              | -              |
| Payment Commitments for Cheques                  | 99.601         | 64.845         |
| Loan Granting Commitments                        | 3.500          | 1.966          |
| Asset Purchase Commitments                       | -              | -              |
| Tax and Fund Liabilities from Export Commitments | 5.322          | 4.034          |
| <b>Total</b>                                     | <b>291.549</b> | <b>132.756</b> |

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

The amount of provision for possible losses arising from the off-balance sheet items is TL 1.642.

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

|                     | Current Period   | Prior Period     |
|---------------------|------------------|------------------|
| Guarantee Letters   | 7.542.692        | 5.322.130        |
| Letter of Credits   | 1.227            | 4.784            |
| Bank Acceptances    | 713.203          | 447.193          |
| Other Contingencies | 658.750          | 337.431          |
| <b>Total</b>        | <b>8.915.872</b> | <b>6.111.538</b> |

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

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| Letters of Temporary Guarantees                | 652.099          | 603.757          |
| Letters of Certain Guarantees                  | 3.535.531        | 2.715.331        |
| Letters of Advance Guarantees                  | 1.083.743        | 399.756          |
| Letters of Guarantees given to Customs Offices | 66.613           | 45.753           |
| Other Letters of Guarantees                    | 2.204.706        | 1.557.533        |
| <b>Total</b>                                   | <b>7.542.692</b> | <b>5.322.130</b> |



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 CONSOLIDATED 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     |
|--|------------------|------------------|
| <b>Non-Cash Loans for Providing Cash Loans</b> | <b>2.204.706</b> | <b>1.557.532</b> |
| With Original Maturity of One Year or Less     | 879.944          | 775.726          |
| With Original Maturity of More than One Year   | 1.324.762        | 781.806          |
| <b>Other Non-Cash Loans</b>                    | <b>6.711.166</b> | <b>4.554.006</b> |
| <b>Total</b>                                   | <b>8.915.872</b> | <b>6.111.538</b> |

#### IV. EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED INCOME STATEMENT

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

|  | Current Period |               | Prior Period   |               |
|--|----------------|---------------|----------------|---------------|
|  | TL             | FC            | TL             | FC            |
| <b>Profit share on loans (*)</b>                         | <b>656.712</b> | <b>49.875</b> | <b>332.655</b> | <b>18.790</b> |
| Short term loans   | 196.642        | 10.270        | 101.634        | 2.565         |
| Medium and long term loans                               | 459.012        | 39.605        | 230.994        | 16.225        |
| Profit share on non-performing loans                     | 1.058          | -             | 27             | -             |
| Premiums received from resource utilization support fund | -              | -             | -              | -             |

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

##### b) Information on profit share received from banks:

None (30 June 2017: None).

##### c) Information on profit share income from securities portfolio:

|  | Current Period |            |
|--|----------------|------------|
|  | TL             | FC         |
| Financial Assets at Fair Value through Profit and Loss                   | -              | -          |
| Financial Assets at Fair Value through Other Comprehensive Income        | 43.433         | 185        |
| Investments Held-to-Maturity Financial Assets Measured by Amortized Cost | -              | -          |
| <b>Total</b>   | <b>43.433</b>  | <b>185</b> |

##### Information on profit share income from securities portfolio:

|                                     | Prior Period  |            |
|-------------------------------------|---------------|------------|
|                                     | TL            | FC         |
| Financial Assets Held for Trading   | -             | -          |
| Financial Assets Available-for-Sale | 20.919        | 169        |
| Investments Held-to-Maturity        | -             | -          |
| <b>Total</b>                        | <b>20.919</b> | <b>169</b> |

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

None (30 June 2017: None).

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

(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 INCOME  
STATEMENT (Continued)****2. a) Information on profit share expense on borrowing:**

|  | Current Period |               | Prior Period |               |
|--|----------------|---------------|--------------|---------------|
|  | TL             | FC            | TL           | FC            |
| Banks                                  | 7.002          | 6.705         | 1.584        | 6.839         |
| Central Bank of the Republic of Turkey | 6.488          | -             | -            | -             |
| Domestic Banks                         | 514            | 5.192         | 1.584        | 5.299         |
| Foreign Banks                          | -              | 1.513         | -            | 1.540         |
| Head Office and Branches               | -              | -             | -            | -             |
| Other Institutions                     | -              | 15.091        | -            | 8.552         |
| <b>Total</b>                           | <b>7.002</b>   | <b>21.796</b> | <b>1.584</b> | <b>15.391</b> |

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

None. (30 June 2017: None).

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

As of 30 June 2018, profit share expense paid to securities issued is TL 42.833 (30 June 2017: TL 6.397).

**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   |                |
| <b>Account Name</b>   |                        |                |                |               |               |                |
| Turkish Lira  |                        |                |                |               |               |                |
| Funds Collected from Banks via Current and Participation Accounts | -                      | 2.363          | -              | -             | -             | 2.363          |
| Real Person's Non Commercial Participation Accounts               | 17.199                 | 123.213        | 1.610          | 1.404         | 5.008         | 148.434        |
| Public Sector Participation Accounts                              | 1.485                  | 29.143         | 8.010          | 5.777         | 2.124         | 46.539         |
| Commercial Sector Participation Accounts                          | 10.065                 | 98.183         | 6.467          | 2.383         | 734           | 117.832        |
| Other Institutions Participation Accounts                         | 683                    | 20.344         | 2.900          | 8.983         | 305           | 33.215         |
| <b>Total</b>  | <b>29.432</b>          | <b>273.246</b> | <b>18.987</b>  | <b>18.547</b> | <b>8.171</b>  | <b>348.383</b> |
| Foreign Currency  |                        |                |                |               |               |                |
| Funds Collected from Banks via Current and Participation Accounts | -                      | -              | -              | -             | -             | -              |
| Real Person's Non Commercial Participation Accounts               | 1.824                  | 19.171         | 656            | 556           | 2.657         | 24.864         |
| Public Sector Participation Accounts                              | 14                     | 383            | -              | -             | -             | 397            |
| Commercial Sector Participation Accounts                          | 664                    | 16.889         | 180            | 850           | 457           | 19.040         |
| Other Institutions Participation Accounts                         | -                      | 2.110          | -              | -             | -             | 2.110          |
| Public Sector Participation Accounts                              | 1.156                  | -              | -              | -             | -             | 1.156          |
| <b>Total</b>  | <b>3.658</b>           | <b>38.553</b>  | <b>836</b>     | <b>1.406</b>  | <b>3.114</b>  | <b>47.567</b>  |
| <b>Grand Total</b>  | <b>33.090</b>          | <b>311.799</b> | <b>19.823</b>  | <b>19.953</b> | <b>11.285</b> | <b>395.950</b> |

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

| Prior Period<br>Account Name   | Participation Accounts |                  |                  |                  |                  |                  |
|--|------------------------|------------------|------------------|------------------|------------------|------------------|
|  | Up to 1<br>month       | Up to 1<br>month | Up to 1<br>month | Up to 1<br>month | Up to 1<br>month | Up to 1<br>month |
| Turkish Lira   |                        |                  |                  |                  |                  |                  |
| Funds Collected from Banks via<br>Current and Participation Accounts | -                      | 41               | -                | -                | -                | 41               |
| Real Person's Non Commercial Participation<br>Accounts               | 8.974                  | 63.865           | 1.355            | 933              | 3.876            | 79.003           |
| Public Sector Participation Accounts                                 | 5.062                  | 16.574           | 3.316            | -                | 883              | 25.835           |
| Commercial Sector Participation Accounts                             | 4.793                  | 38.171           | 3.150            | 538              | 585              | 47.237           |
| Other Institutions Participation Accounts                            | 131                    | 13.035           | 578              | 110              | 89               | 13.943           |
| <b>Total</b>   | <b>18.960</b>          | <b>131.686</b>   | <b>8.399</b>     | <b>1.581</b>     | <b>5.433</b>     | <b>166.059</b>   |
| Foreign Currency   |                        |                  |                  |                  |                  |                  |
| Funds Collected from Banks via<br>Current and Participation Accounts | -                      | 703              | -                | -                | -                | 703              |
| Real Person's Non Commercial<br>Participation Accounts               | 765                    | 8.915            | 409              | 330              | 452              | 10.871           |
| Public Sector Participation Accounts                                 | 7                      | 73               | -                | -                | -                | 80               |
| Commercial Sector Participation Accounts                             | 498                    | 6.366            | 1.381            | -                | -                | 8.245            |
| Other Institutions Participation Accounts                            | 25                     | 949              | -                | -                | -                | 974              |
| Public Sector Participation Accounts                                 | 55                     | -                | -                | -                | -                | 55               |
| <b>Total</b>   | <b>1.350</b>           | <b>17.006</b>    | <b>1.790</b>     | <b>330</b>       | <b>452</b>       | <b>20.928</b>    |
| <b>Grand Total</b>   | <b>20.310</b>          | <b>148.692</b>   | <b>10.189</b>    | <b>1.911</b>     | <b>5.885</b>     | <b>186.987</b>   |

**3. Information on dividend income:**

As of 30 June 2018, the Parent Bank's divided income is TL 177. (30 June 2017: None)

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

|  | Current Period   | Prior Period     |
|--|------------------|------------------|
| <b>Income</b>                              | <b>3.005.995</b> | <b>1.234.375</b> |
| Foreign exchange gains                     | 2.956.002        | 1.234.310        |
| Gain on derivative financial instruments   | 49.956           | 64               |
| Gain on capital market transactions        | 37               | 1                |
| <b>Losses (-)</b>                          | <b>2.994.090</b> | <b>1.228.820</b> |
| Foreign exchange losses                    | 2.966.342        | 1.219.898        |
| Losses on derivative financial instruments | 26.837           | 8.913            |
| Losses on capital market transactions      | 911              | 9                |
| <b>Net</b>                                 | <b>11.905</b>    | <b>5.555</b>     |

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

|   | Current Period | Prior Period |
|---|----------------|--------------|
| Effect of the change in exchange rates on profit/loss | 23.119         | (788)        |
| <b>Total</b>  | <b>23.119</b>  | <b>(788)</b> |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 INCOME STATEMENT (Continued)

##### 5. Information on other operating income:

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

There are no significant matters covering the recent developments which have significant effect on the Parent Bank's income.

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

|  | Current Period |
|--|----------------|
| Expected Credit Loss   | 57.958         |
| 12 month expected credit loss (stage 1)  | 25.494         |
| Significant increase in credit risk (stage 2)  | 19.283         |
| Non-performing loans (stage 3)   | 13.181         |
| Marketable Securities Impairment Expense   | 402            |
| Financial Assets at Fair Value through Profit or Loss                                  | -              |
| Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income      | 402            |
| Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease | -              |
| Investments in Associates  | -              |
| Subsidiaries   | -              |
| Joint Ventures   | -              |
| Other (*)  | 5.643          |
| <b>Total</b>   | <b>64.003</b>  |

(\*) 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 5.471 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

|   | Prior Period  |
|---|---------------|
| Specific Provisions for Loans and Other Receivables   | 6.708         |
| III. group loans and receivables  | 847           |
| IV. group loans and receivables   | 3.456         |
| V. group loans and receivables  | 2.405         |
| General provision expenses  | 23.777        |
| Provision expenses for possible losses  | -             |
| Impairment provision of marketable securities   | 100           |
| Financial Assets at fair value through profit and loss  | -             |
| Investment securities available for sale  | 100           |
| Impairment provision of associates, subsidiaries, joint ventures and held to maturity investments | -             |
| Associates  | -             |
| Subsidiaries  | -             |
| Joint ventures  | -             |
| Held to maturity investments  | -             |
| Other (*)   | 11.365        |
| <b>Total</b>  | <b>41.950</b> |

(\*) 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 11,329 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 INCOME STATEMENT (Continued)

##### 7. Information on other operating expenses:

|   | Current Period |
|---|----------------|
| Personnel expenses <sup>(**)</sup>  | 58.594         |
| Reserve for Employee Termination Benefits   | 780            |
| Bank Social Aid Provision Fund Deficit Provision  | -              |
| Tangible Fixed Assets Impairment Expense  | -              |
| Depreciation Expenses of Tangible Fixed Assets  | 7.407          |
| Intangible Assets Impairment Expense  | -              |
| Goodwill Impairment Expense   | -              |
| Amortization Expenses of Intangible Assets  | 2.873          |
| 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  | 38.335         |
| Operational Leasing Expenses  | 11.721         |
| Maintenance Expenses  | 2.081          |
| Advertisement Expenses  | 9.226          |
| Other Expenses  | 15.307         |
| Loss on Sales of Assets   | -              |
| Other <sup>(*)</sup>  | 30.317         |
| <b>Total</b>  | <b>138.306</b> |

(\*) The balance which forms the other item part, TL 12.923 represents Saving Deposit Insurance Fund ("SDIF") Premium amount and audit and consultancy fees and TL 7.030 represents taxes, fees and funds and other services expenses.

(\*\*) "Personnel Expenses", which is not included in "Other Operating Expenses" in the income statement, is included in this table.

|   | Prior Period  |
|---|---------------|
| Personnel expenses  | 40.763        |
| Reserve for Employee Termination Benefits   | 370           |
| Bank Social Aid Provision Fund Deficit Provision  | -             |
| Tangible Fixed Assets Impairment Expense  | -             |
| Depreciation Expenses of Tangible Fixed Assets  | 5.756         |
| Intangible Assets Impairment Expense  | -             |
| Goodwill Impairment Expense   | -             |
| Amortization Expenses of Intangible Assets  | 1.257         |
| 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  | 27.276        |
| Operational Leasing Expenses  | 8.815         |
| Maintenance Expenses  | 1.805         |
| Advertisement Expenses  | 7.130         |
| Other Expenses  | 9.526         |
| Loss on Sales of Assets   | -             |
| Other <sup>(*)</sup>  | 15.566        |
| <b>Total</b>  | <b>90.988</b> |

(\*) The prior balance which forms the other item part, TL 9.304 represents SDIF Premium amount and audit and consultancy fees and TL 3.988 represents taxes, fees and funds and other services expenses.

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 INCOME STATEMENT (Continued)

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

As of 30 June 2018, the Group does not have any discontinuing operations. The compositions of the profit/loss before tax from the continuing operations are following:

|   | Current Period |
|---|----------------|
| Net Profit Share Income                         | 319.542        |
| Net Fees and Commissions Income                 | 22.790         |
| Personnel Expenses                              | 58.594         |
| Dividend Income                                 | 177            |
| Trading Income/Expense (Net)                    | 11.905         |
| Other Operating Income                          | 36.394         |
| Expected Loss Provision (-)                     | 64.003         |
| Other Operating Expenses (-)                    | 79.712         |
| <b>Income/(Loss) from Continuing Operations</b> | <b>188.499</b> |

|   | Prior Period  |
|---|---------------|
| Net Profit Share Income                             | 181.384       |
| Net Fees and Commissions Income                     | 13.767        |
| Dividend Income                                     | -             |
| Trading Income/Expense (Net)                        | 5.555         |
| Other Operating Income                              | 1.855         |
| Loan and other receivables impairment provision (-) | 41.950        |
| Other Operating Expenses (-)                        | 90.988        |
| <b>Income/(Loss) from Continuing Operations</b>     | <b>69.623</b> |

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

As of 30 June 2018, the Parent Bank's total tax provision expense amounting to TL 37.193 (30 June 2017: TL 15.953) consists of TL 45.236 (30 June 2017: TL 18.546) of current tax expense and TL 8.133 (30 June 2017: TL 2.593) of deferred tax expense.

##### 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 151.306 (30 June 2017: TL 53.670).

##### 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 June 2017: None).

# ZİRAAT KATILIM BANKASI A.Ş.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 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 |
| <b>Loans and other receivables</b>        | -   | -        | -  | -        | -  | -        |
| Balance at beginning of period            | -   | -        | 758.988                                      | -        | -  | -        |
| Balance at end of period                  | -   | -        | 1.464.881                                    | -        | -  | -        |
| <b>Profit share and commission income</b> | -   | -        | 14.071                                       | -        | -  | -        |

###### 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 |
| <b>Loans and other receivables</b>        | -   | -        | -  | -        | -  | -        |
| Balance at beginning of period            | -   | -        | 558.924                                      | -        | -  | -        |
| Balance at end of period                  | -   | -        | 758.988                                      | -        | -  | -        |
| <b>Profit share and commission income</b> | -   | -        | 2.107  | -        | -  | -        |

##### 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 |
| <b>Current and profit sharing accounts</b> |   |              |  |              |  |              |
| Balance at the beginning of period         | -   | -            | 8.159  | 1.796        | -  | -            |
| Balance at the end of period               | -   | -            | 30.358                                       | 8.159        | -  | -            |
| <b>Profit share expense</b>                | -   | -            | 613  | 1.415        | -  | -            |

##### 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                                    | -   | -            | 1.264.078                                   | 259.672      | -  | -            |
| Closing Balance                                    | -   | -            | 2.190.620                                   | 1.264.078    | -  | -            |
| <b>Total Profit/Loss</b>                           | -   | -            | 5.714                                       | 2.844        | -  | -            |
| Risk Protection Oriented Processes                 | -   | -            | -   | -            | -  | -            |
| Opening Balance                                    | -   | -            | -   | -            | -  | -            |
| Closing Balance                                    | -   | -            | -   | -            | -  | -            |
| <b>Total Profit/Loss</b>                           | -   | -            | -   | -            | -  | -            |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 BANK (Continued)

###### 3) Information on remunerations provided to top management:

The Group has paid TL 1.812 (30 June 2017: TL 1.191) 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 (*)          | 72     | 937                 |         |              |              |
|                                |        |                     | Country |              |              |
| Foreign representative offices | -      | -                   | -       |              |              |
|                                |        |                     |         | 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 2018, 9 new branches (31 December 2017: 19 Branches) has been opened in Turkey.



## **ZİRAAT KATILIM BANKASI A.Ş.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018**

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

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#### **SECTION SIX**

##### **EXPLANATIONS ON REVIEW REPORT**

##### **I. EXPLANATIONS ON THE REVIEW REPORT**

As of 30 June 2018, 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 1 August 2018 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 JUNE 2018**

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

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**SECTION SEVEN**

**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT**

**I. Chairman's Assessment**

The accelerating economic activity in the US economy, US Federal Reserve ("FED") continuation of the tightened monetary policy, the new tariffs practices of US President Donald Trump, the president and the parliamentary elections and the first quarter in Turkey after the two discount Turkey's long-term the fact that the foreign currency credit rating has been lowered once again the important events that marked in the second quarter of 2018.

The new tariffs practices announced by President Trump at the beginning of the year and the expressions he used in relation to trade wars in general appear its effect on the global economy in the second quarter of the year. In response to Trump's practice, other developed and developing countries, particularly China, have begun to raise tariffs on similar products imported from the United States. There is a forecast that these practices will have limited or unfavorable impact on growth in the global economy. On the other hand, while the tightening monetary policy of the FED caused outflow of funds from developing countries, increase of interest rates in these countries and depreciation of the currencies of these countries against the US dollar is begun to be seen.

In the second quarter of the year, the FED increased interest rates for the second time as a result of full employment and vitality and has raised interest rates to 1.75-2.00%. The expectation of rising interest rates two more times in this year is getting stronger while FED has been downsizing its own balance sheet. Particularly the FED, the regulations that developed economies will make in monetary policy are among the issues to be followed closely in the upcoming period.

Even if developing country economies continue to recover, the FED's tightening monetary policies and trade wars have brought fluctuations in these countries. While Argentine interest rates have risen so fast, some countries such as Brazil and Russia seem to be taking some other precaution to protect the value of local currencies. Argentina has signed a new credit agreement with the IMF. Some developing economies that prefer gradual interest rate cuts in favor of inflation prefer to cut interest rate cuts in response to this move in the markets. In the upcoming period, developing countries will continue to shape their monetary policies by the rate of normalization of the FED's monetary policy.

In Turkey, the conclusion of the first round of the presidential election and understood, by the new administrative structure of the markets is expected to be perceived as positive. The expectation that the worst is behind is getting stronger day by day.

Turkey economy grew by 7,4% as above expectations in 2017. Among OECD countries, Turkey with this growth rate, has been the fastest growing country after growing Ireland by 8.4%. Domestic demand and investment support growth. On the other hand, the strong view in the European economy and the petroleum exporting countries are expected to support our exports, which are growing after the oil price increase. It is also expected that the continuation of the recovery in tourism will contribute to growth in the upcoming period.

In the second quarter of 2018, Turkish banking sector continues to grow steadily with its strong equity structure, high asset quality and contribute to economic growth. Although funding costs are rising in the second quarter of the year, effective resource management in the sector is the forerunner and efforts are being made to improve operational efficiency. The banking sector is able to access and effectively use capital markets and subordinated loans and especially syndicated loans, from international markets.

As Ziraat Katılım Bank, we have identified strategic priority in the participation banking sector to provide resources from domestic and foreign countries with optimum cost and maturity, and to use these resources in the most efficient manner in the country's economy. And also; we aim to increase the share of participation banking in the banking sector.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT**

**I. Chairman’s Assessment (Continued)**

The first public participation bank in Turkey with the title of Ziraat Katılım Bank continued its rapid asset growth and market movements in the formation of competitive prices in the market. Ziraat Katılım Bank is continuing its efforts to open branches abroad as well as speeding up branches in the country and reached 72 branches in the first half of this year, continuing to focus on efficiency and has recorded a 30% growth in the balance sheet as of the first half of 2018.

We consider participation banking to be primarily contributing to the resource diversification of the banking sector. We will continue our struggle to pass on our strategy of ensuring that external resources are brought to our country along with the development of domestic savings.

**Hüseyin AYDIN**  
**Chairman**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager**

In the second quarter of 2018, presidential and parliamentary elections in Turkey, while the main topic of the agenda, the year of 7.4% growth from the first quarter, have reaffirmed their growth figures in 2017 and is regarded as an important reference for the upcoming period.

The FED's decision to increase its interest rates for the second time in 2018 and its tightening monetary policy has led to an increase in interest rates, leading to depreciation of developing countries currencies.

The new tariffs imposed by the US have directly affected the foreign trade of many countries, particularly China. The new tariffs' negative effects on global trade have started to be seen in the second quarter of the year.

Despite all these developments in global financial markets, the first round of the result of the elections held in June in Turkey, to be a work compatible with the legislature and the executive is to continue the stability together with the provision of a simple majority was welcomed by the market.

Presidential System of Government will be held in the upcoming period and created along with the new management model of reforms and measures to be taken quick steps, Turkey will proceed with its 2023 targets. Our economic management will also give the participating banks some responsibilities within the scope of the measures to reduce the cost pressure of the interest rate in the new period.

Strengthening the capital markets, increasing the share of participation banking in the banking sector, preparation of interest-free finance policy document, dissemination of risk-sharing financing models in participation banks, establishing a mass funding company to provide SME financing jointly with participating finance companies, increasing the share of interest-free financial instruments in public investments, especially in infrastructure and accelerating work on becoming Istanbul's Financial Center. As the first participation bank of the public, Ziraat Katılım, as it is today, in the following period we will continue to work with all our force for a growing and a developing Turkey.

**Ziraat Katılım continues stable growth.**

Ziraat Katılım completed the second quarter of 2018 with a net profit of TL 151,3 million. The total assets of Ziraat Katılım exceeded TL 18,4 billion with an increase of 29% compared to the end of 2017, funds collected increased by 34% to TL 13,4 billion compared to prior period. While the cash funds extended by 25% increased to TL 14,7 billion, the total cash and non-cash financing provided by Ziraat Katılım in the real sector amounted to TL 23,6 billion.

By rapidly expanding its branch network in Turkey, Ziraat Participation, home continues to pursue its operations with 72 branches in 39 provinces.

**We target customer satisfaction with investments made by “digital technologies”.**

We care that our customers are in contact with our bank from technological devices and digital channels they prefer, anywhere and at all times. We are continuing to develop our digital banking products with our accessibility strategy for banking transactions faster, more efficiently and more easily.

We have invested more than 100 million TL in technology since 2015. We have saved our customers time with mobile technology by designing customer-focused digital solutions. In line with our targets, we continue to allocate more time to technology investment.

**We have signed the “Common ATM Cooperation Protocol” with the Public Banks.**

In order to provide our customers with easy access to banking services, as Ziraat Katılım, participated in the "Free Common ATM" system. Within the framework of the protocol signed between our Bank and Ziraat Bank, Halkbank, Vakıfbank and Vakıf Participation Banks, "Free Common ATM Usage" project has been implemented. Across Turkey, from close to 15,000 ATM “deposit money into account, withdraw money from account, balance inquiry” transactions made free services are available for our customers.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**

**II. Assessment of General Manager (Continued)**

**We have signed the Cooperation Protocol with SSTEK.**

Ziraat Katılım Bank and SSTEK Defense Industry Technologies Co., Inc. declared to the public in Ankara on 16 May 2018 the protocol of cooperation in order to produce and develop products and technology with national resources for the defense industry and to reduce external dependency.

Ziraat Katılım Bank Inc. and SSTEK Defense Technologies Inc. have signed a protocol with the aim of forming a business alliance for establishing subsidiaries with Profit-Loss Partnership, Joint Investments or Subsidiary Model, which is aimed to support domestic small and medium-sized companies operating in our country and capable of developing technologies.

With the signing protocol, it is aimed that the productions directed to the defense industry, which are produced abroad and limited in domestic production possibilities are realized in a sustainable manner with the national resources in the country and steps to decrease the foreign dependency are taken so that the resources of our country are kept in the country and the competencies are acquired with the domestic resources.

**Our Rent Certificate Exports reached 2.9 Billion TL.**

Ziraat Participation Bank, Inc. successfully completed the export of four rental certificates in the second quarter of 2018.

Ziraat Menkul Değerler A.Ş., 650 million TL of funding was provided from these exports through, while there was heavy demand from qualified investors over the amount of export of rent certificates.

Turkey's state-owned Ziraat Katılım is the first participation bank, which started its activities so far carried out by the issuance of rent certificates to qualified investors reached 2.9 billion.

**90 million TL "Nefes Kredisi" to SME.**

With the protocol signed between Ziraat Katılım and TOBB on 31 March 2018, it was aimed to facilitate the access of SMEs to finance and to use them under appropriate conditions. In the process of presenting the "Nefes Kredisi" product for the first time through the participating banks, we have received our place as Ziraat Katılım.

SMEs were able to provide a maturity of 18 months with a monthly profit rate of 99% and 6 months of non-repayment, and funding was provided at a financing cost below market conditions.

As Ziraat Katılım, in the context of the "Nefes Kredisi" project completed on 4 July 2018, financing support amounting to TL 90 million was provided to SME customers over 500.

**We made a discount on housing financing rates.**

The housing sector, which plays an important role in the economy of our country, is a kind of locomotive when considering the employment it has and the sub-sectors it affects.

Ziraat Participation, as a necessity of the establishment mission, has considered itself a duty to meet the needs and expectations of its customers in the most suitable conditions in accordance with the principles of participation banking.

As of May 2018, our bank is reducing housing finance, the housing financing rate for the years up to 10 years was determined as 0,98% per month. As part of the ongoing campaign until the end of June, 1,533 of our customers have been ensured to be hosted under appropriate conditions.

In the upcoming period, Ziraat Katılım will continue to add value to the country's economy by offering its customers "More to share" with the mission of improving participation banking.

**Metin ÖZDEMİR**  
**General Manager**

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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 1.250.000.000 and this capital divided into 1.250.000.000 shares that each one of all worth 1,00 Turkish Lira. 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.            | 1.249.999.996     | 1.249.999.996    |
| 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 in the first quarter of the year 2018.

##### V. Main consolidated financial indicators

The Group's assets include Loans of TL 14.641.431 thousand with 79% share, Liquid Assets and Cash Equivalents of TL 2.772.247 thousand with 15% share, Marketable Securities of TL 875.306 thousand with 5% share, Other Assets of TL 192.648 thousand with 1% share.

| ASSETS (THOUSAND TL)               | 30 June 2018      | 31 December 2017  | Change (%) |
|------------------------------------|-------------------|-------------------|------------|
| Liquid Assets and Cash Equivalents | 2.772.247         | 1.922.270         | 44         |
| Securities                         | 875.306           | 524.210           | 67         |
| Loans                              | 14.641.431        | 11.374.744        | 29         |
| Other Assets                       | 192.648           | 528.815           | (64)       |
| <b>Total Assets</b>                | <b>18.481.632</b> | <b>14.350.039</b> | <b>29</b>  |

In the Group's liabilities, indicators take shares as follows; deposit volume is TL 13.432.930 thousand with 73%, resources out of deposit volume is TL 2.704.301 thousand with 15%, shareholders equity volume is TL 1.553.959 thousand with 9% and other liabilities volume is TL 790.442 thousand with 4%.

| LIABILITIES (THOUSAND TL) | 30 June 2018      | 31 December 2017  | Change (%) |
|---------------------------|-------------------|-------------------|------------|
| Deposits                  | 13.432.930        | 10.024.486        | 34         |
| Resources Out of Deposit  | 2.704.301         | 2.645.856         | 2          |
| Other Liabilities         | 790.442           | 276.016           | 186        |
| Shareholders' Equity      | 1.553.959         | 1.403.681         | 11         |
| <b>Total Liabilities</b>  | <b>18.481.632</b> | <b>14.350.039</b> | <b>29</b>  |

**ZİRAAT KATILIM BANKASI A.Ş.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)****V. Main financial indicators (Continued)**

| <b>SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)</b> | <b>30 June 2018</b>     |
|---|-------------------------|
| Dividend Income                                     | 792.322                 |
| Dividend Expense                                    | 472.780                 |
| Net Dividend Income/Expense                         | 319.542                 |
| Net Fees and Commissions Income/Expense             | 22.790                  |
| Personel Expense                                    | 58.594                  |
| Other Operating Income                              | 36.394                  |
| Other Operating Expenses                            | 79.712                  |
| Provision for Loan and Other Receivables            | 64.003                  |
| Profit/Loss Before Tax                              | 188.499                 |
| Tax Provision                                       | (37.193)                |
| Net Profit/Loss                                     | 151.306                 |
| <b>SELECTED PROFIT AND LOSS ITEMS (THOUSAND TL)</b> | <b>30 June 2017</b>     |
| Dividend Income                                     | 393.267                 |
| Dividend Expense                                    | 211.883                 |
| Net Dividend Income/Expense                         | 181.384                 |
| Net Fees and Commissions Income/Expense             | 13.767                  |
| Other Operating Income                              | 1.855                   |
| Other Operating Expenses                            | 90.988                  |
| Provision for Loan and Other Receivables            | 41.950                  |
| Profit/Loss Before Tax                              | 69.623                  |
| Tax Provision                                       | (15.953)                |
| Net Profit/Loss                                     | 53.670                  |
| <b>RATIOS(%)</b>                                    | <b>30 June 2018</b>     |
| Capital Adequacy Ratio                              | 14,15                   |
| Shareholders' Equity/Total Assets                   | 8,4                     |
| Total Loans/Total Assets                            | 79,2                    |
| Non-performing Loans (Gross) / Total Loans          | 0,3                     |
| Demand Deposit/Total Deposit                        | 11,9                    |
| FC Assets/FC Liabilities                            | 71,5                    |
| Liquid Assets/Total Assets                          | 15,0                    |
| <b>RATIOS(%)</b>                                    | <b>31 December 2017</b> |
| Capital Adequacy Ratio                              | 13,1                    |
| Shareholders' Equity/Total Assets                   | 9,8                     |
| Total Loans/Total Assets                            | 79,3                    |
| Non-performing Loans (Gross) / Total Loans          | 0,4                     |
| Demand Deposit/Total Deposit                        | 16,5                    |
| FC Assets/FC Liabilities                            | 62,7                    |
| Liquid Assets/Total Assets                          | 13,4                    |

(\*) Foreign exchange indexed loans are not included.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**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 June 2018.

The first coupon payment of lease certificate with "TRDZKVK41816" ISIN code amounting to TL 2.929.320 was completed on 6 April 2018. The certificate was issued on 12 October 2017 with a nominal value of TL 100.000.000 and maturity of 176 days with 6 April 2018 maturity date.

The coupon payments of lease certificate with "TRDZKVK51815" ISIN code amounting to TL 3.590.960,00 was completed on 11 May 2018. The certificate was issued on 29 January 2018 with a nominal value of TL 100.000.000 and maturity of 102 days with 11 May 2018 maturity date.

The coupon payments of lease certificate with "TRDZKVK61814" ISIN code amounting to TL 7.351.240,00 was completed on 5 June 2018. The certificate was issued on 21 February 2018 with a nominal value of TL 200.000.000 and maturity of 104 days with 5 June 2018 maturity date.

The coupon payments of lease certificate with "TRDZKVK61822" ISIN code amounting to TL 5.367.423,60 was completed on 22 June 2018. The certificate was issued on 15 March 2018 with a nominal value of TL 154.000.000 and maturity of 99 days with 22 June 2018 maturity date.

The first coupon payment of lease certificate with "TRDZKVK71813" ISIN code was completed on 19 March 2018 with approval of General Directorate of Stock Exchange as at 22 March 2018. The certificate have a nominal value of TL 125.000.000 and maturity of 104 days with 4 July 2018 maturity date and as at 26 March 2018 was started to be traded only among qualified investors in the Debt Securities Market Outright Purchases and Sales Market.

The first coupon payment of lease certificate with "TRDZKVK71821" ISIN code was completed on 19 March 2018 with approval of General Directorate of Stock Exchange as at 6 April 2018. The certificate have a nominal value of TL 100.000.000 and maturity of 101 days with 16 July 2018 maturity date and as at 10 April 2018 was started to be traded only among qualified investors in the Debt Securities Market Outright Purchases and Sales Market.

The first coupon payment of lease certificate with "TRDZKVK81812" ISIN code was completed on 19 March 2018 with approval of General Directorate of Stock Exchange as at 11 May 2018. The certificate have a nominal value of TL 125.000.000 and maturity of 91 days with 10 August 2018 maturity date and as at 15 May 2018 was started to be traded only among qualified investors in the Debt Securities Market Outright Purchases and Sales Market.

The first coupon payment of lease certificate with "TRDZKVK91811" ISIN code was completed on 19 March 2018 with approval of General Directorate of Stock Exchange as at 5 June 2018. The certificate have a nominal value of TL 250.000.000 and maturity of 94 days with 7 September 2018 maturity date and as at 7 June 2018 was started to be traded only among qualified investors in the Debt Securities Market Outright Purchases and Sales Market.

The first coupon payment of lease certificate with "TRDZKVK91829" ISIN code was completed on 19 March 2018 with approval of General Directorate of Stock Exchange as at 22 June 2018. The certificate have a nominal value of TL 175.000.000 and maturity of 90 days with 20 September 2018 maturity date and as at 26 June 2018 was started to be traded only among qualified investors in the Debt Securities Market Outright Purchases and Sales Market.



## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

(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)

|  |   |
|--|---|
| ISIN Code of the Issued Capital Markets Instrument                   | TRDZKVK71813  |
| Type of the Issued Capital Markets Instrument                        | Lease Certificate                                       |
| Form of Sale   | Qualified Investor Sale without Public Offering         |
| Nominal Amount of Issuance   | TL 125.000.000  |
| Nominal Amount Sold  | TL 125.000.000  |
| Issuance Price   | TL 1  |
| Maturity of the Issued Capital Markets Instruments                   | 4 July 2018 – 104 days                                  |
| 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 | Annual Simple Rate is 13,20% rate of return is 3,76110% |

|  |   |
|--|---|
| ISIN Code of the Issued Capital Markets Instrument                   | TRDZKVK71821  |
| Type of the Issued Capital Markets Instrument                        | Lease Certificate                                       |
| Form of Sale   | Qualified Investor Sale without Public Offering         |
| Nominal Amount of Issuance   | TL 100.000.000  |
| Nominal Amount Sold  | TL 100.000.000  |
| Issuance Price   | 1 TL  |
| Maturity of the Issued Capital Markets Instruments                   | 16 July 2018- 101 days                                  |
| 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 | Annual Simple Rate is 13,20% rate of return is 3,65260% |

|  |   |
|--|---|
| ISIN Code of the Issued Capital Markets Instrument                   | TRDZKVK81812  |
| Type of the Issued Capital Markets Instrument                        | Lease Certificate                                       |
| Form of Sale   | Qualified Investor Sale without Public Offering         |
| Nominal Amount of Issuance   | TL 125.000.000  |
| Nominal Amount Sold  | TL 125.000.000  |
| Issuance Price   | 1 TL  |
| Maturity of the Issued Capital Markets Instruments                   | 10 July 2018 - 91 days                                  |
| 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 | Annual Simple Rate is 13,80% rate of return is 3,44055% |

|  |   |
|--|---|
| ISIN Code of the Issued Capital Markets Instrument                   | TRDZKVK91811  |
| Type of the Issued Capital Markets Instrument                        | Lease Certificate                                       |
| Form of Sale   | Qualified Investor Sale without Public Offering         |
| Nominal Amount of Issuance   | TL 250.000.000  |
| Nominal Amount Sold  | TL 250.000.000  |
| Issuance Price   | 1 TL  |
| Maturity of the Issued Capital Markets Instruments                   | 7 September 2018 - 94 days                              |
| 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 | Annual Simple Rate is 15,25% rate of return is 3,92740% |

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

#### EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)

##### VII. Information on Consolidated Subsidiaries (Continued)

|  |   |
|--|---|
| ISIN Code of the Issued Capital Markets Instrument                   | TRDZKVK91829  |
| Type of the Issued Capital Markets Instrument                        | Lease Certificate                                       |
| Form of Sale   | Qualified Investor Sale                                 |
| Nominal Amount of Issuance   | TL 175.000.000  |
| Nominal Amount Sold  | TL 175.000.000  |
| Issuance Price   | TL 1  |
| Maturity of the Issued Capital Markets Instruments                   | 20 September 2018                                       |
| 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 | Annual Simple Rate is 16,75% rate of return is 4,13014% |

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

##### ZKB VARLIK KİRALAMA A.Ş.:

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.

| Stockholders                | Adress   | Number of Shares | Number of Shares |
|-----------------------------|--|------------------|------------------|
| Ziraat Katılım Bankası A.Ş. | Hobyar Eminönü Mahallesi<br>Hayri Efendi Cad. Fatih / İSTANBUL | 50.000           | 50.00            |

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**

**VIII. 2018 expectations after the interim period (Continued)**

In the second quarter of 2018; financial markets, President and parliamentary elections in Turkey, the US President, Donald Trump's new customs duty applications, the US Federal Reserve (Fed) 's and the European Central Bank (ECB) is to apply has been shaped by monetary policy. Due to the recovery in the US economy and the approach to full employment, the Fed has increased interest rates again in the second quarter of the year. For the remaining of the year, it is expected to direct interest rate policy, taking into account future economic data by FED. In addition, the Fed continues to withdraw liquidity from the market as well as interest increases this year. On the other side, the Bank of Japan (BOJ) and the ECB are supporting the global economy by continuing to buy bonds and keeping interest rates at a low level until the end of the year, even if they declare that they will reduce the amount of bonds bought. Although the recovery in the global economy has supported oil and other commodity prices, Trump's increased tariff have affected negatively commodity prices. This puts pressure on the growth rates of commodity exporters and developing market economies exporting high volume products to the United States. In response to President Trump's protectionist policies, the beginning of a possible trade war has begun, especially in China and other developed and developing countries, to begin to apply tariff on similar products imported from the United States.

The economic data coming in the second quarter of 2018 confirms the recovery in the US economy, indicating that the economy is approaching its full employment target. Despite a decline in attendance in the labor force, unemployment rates have been low in the last decade. In this context, the FED raised interest rates by 25 basis points in the second quarter to give a message that it is closely following developments in the economy. Despite the FED's move, US 10-year bond yields have been somewhat withdrawn as a result of Trump's new tariff practices. The FED is expected to raise interest rates twice in the rest of the year; The possible consequences of Trump's expanding fiscal policy and new tariffs on the US economy are expected to have an impact on the FED's interest rate policy.

In the second quarter of 2018, while the recovery in the European Union countries continues moderately, there is a slight loss of momentum in the recent economic datas. Despite the slowdown in industry and PMI data, the decline in the unemployment rate and the rise in inflation rates have caused the ECB to change its monetary policy. The ECB decision has announced that asset purchases of EUR 30 billion per month will be reduced to EUR 15 billion per month starting from october, and that the asset purchase program will be terminated as of the end of december according to the forecasts of the establishment. The ECB also declared that it had left the policy rate at zero, the deposit rate at minus 0.40 and the marginal funding rate at 0.25 percent, stating that it had decided to keep interest rates constant in its statement at its last meeting. This suggests that it is too early to mention the possibility of a possible interest rate increase this year despite the positive developments in the economy.

In the second quarter of this year, President Trump began applying the new tariffs to other countries. The other countries also began the new tariffs practices to US. This has also resulted in the repress of the growth of global trade. This is expected to have a negative impact on the growth of China, which is the largest exporter of goods to the US, while slowing the growth of the global economy somewhat. While this affects commodity prices negatively, commodity exporters excluding China are thought to have a negative impact on other emerging markets. On the other hand, the tightening monetary policy of the FED has caused interest rates to rise in emerging market economies and cause these countries to suffer considerable depreciation against the US dollar in local currencies.

Turkey markets, although it has made a good start to 2018, then was adversely affected by developments in the global economy. In the second quarter of the year, while interest rates were rising, occurred depreciation in TL. In this context, the Central Bank of the Republic of Turkey (TCMB) had maintained its tight monetary policy, making rapid rise in interest rates has prevented the TL lose more value. On the other hand, the TCMB has begun to simplify monetary policy and reopen weekly API tender. In the upcoming period, with the end of the election period and the decrease of political uncertainty, it is predicted that a positive atmosphere will be created in the economy as a result of the new economy management making more effective decisions.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**EXPLANATIONS ON CONSOLIDATED INTERIM PERIOD ACTIVITY REPORT (Continued)**

**VIII. 2018 expectations after the interim period (Continued)**

Turkey, grew in the first quarter of 2018 grew by 7.4% well above expectations. Turkey, with this growth rate in OECD countries after Ireland became the second fastest growing country. Domestic demand is supporting growth. Although the rising interest rate in the second quarter of the year slowed down some demand, the strong outlook in the European economy and the continuation of the recovery in tourism are expected to contribute to growth in the coming period. It is also expected that the new economic incentives and measures that the government will address in the first quarter of the year will be effective in the second half of 2018. Despite the rising interest and foreign exchange rate, which is also affected by the deterioration of global economic conditions, Due to Turkey's economy to be robust economy and the knowledge and experience of economy management, in the second half of Turkey's economy is expected to achieve the very fast growth rate over the recovered target. Turkey, commodities such as oil and natural gas needed for energy due to meet his expenses from other countries has a large share in the import bill. Lower energy prices in the last three years, Turkey's foreign trade has positively influenced the bill. Negatively affected by the high tariffs, and since the beginning of this year, higher oil and gas prices have begun to impact negatively on Turkey's import bill. Since the beginning of this year and negatively affected by the high tariffs, higher oil and gas prices have begun to impact negatively on Turkey's import bill. However, the recovery seen in the euro area and losing of value of TL provide a price advantage of export products of Turkey. Therefore, compared to last year also recognized the value of Turkey's exports began to see a rise. Even if that recovery in the euro zone will be slow, but it is expected to continue in the upcoming period. In this context, continuing increase demand of euro area countries that is the main export region of Turkey will help healing Turkey's current deficit.

The rapid depreciation of the TL in the first half of this year and the high course of food prices led to an increase in inflation. In the first half of this year, the TCMB continued to implement strict monetary policy while increasing interest rates to support the TL. For the remaining of the year, as well as falling demand due to high interest rates and provided discipline in fiscal policy, as a result of the appreciation of the TL, inflation is expected to decline.

In the first half of 2018, by the FED continuing downsizing of balance sheet by implementing tight monetary policy and raise interest rates by 50 basis points, while it caused the US Dollar to appreciate, it began to pressurize the economies of the developing countries. Also, President Trump's new tariff practices targeting China and expanding the sanctions list for Russia have had a negative impact on the economies of these countries. While the increase in commodity prices, especially oil, affects some commodity exporter countries positively, it started to put pressure on commodity importer countries such as Turkey. However, the possibility of the Fed to raise interest rates twice more in the rest of the year after the rate hike of 50 basis points in the first half, was reflected in the interest rate and exchange rate market in Turkey. In Turkey, considering the existing asset prices, a higher exchange rate and interest rate it offers to foreign investors the very serious potential. In this context, with Turkey's high yield advantage offered Turkey is estimated to be reconsidered by foreign capital. In the coming period, it is expected that the TL will regain strength with both the acceleration of capital inflows and the support of the TCMB's tight monetary policy. It is predicted that inflation will also fall again. It is also envisaged that the new government system will be able to enter a rapid development process in the near future as the structural reforms needed by our country can be easily mobilized due to faster and more efficient decision making mechanisms.