

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

## **Ziraat Katılım Bankası Anonim Şirketi**

**Unconsolidated Interim Financial Statements  
As at and for the Six-Month Period Ended  
30 June 2018**

**With Auditors' Review Report Thereon**

*(Convenience Translation of Unconsolidated 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; "Unconsolidated Financial  
Statements and Related Disclosures and Footnotes"  
comprising 99 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 unconsolidated balance sheet of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") at 30 June 2018 and the related unconsolidated statement of profit or loss, unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity, unconsolidated statement of cash flows and a summary of significant accounting policies and other explanatory notes to the unconsolidated financial statements for the six-month-period then ended. The Bank Management is responsible for the preparation and fair presentation of interim financial 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 financial statements based on our review.

### *Scope of Review*

We conducted our review in accordance with Standard on Review Engagements ("SRE") 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial reporting process, and applying analytical and other review procedures. A review of interim financial information is substantially less in scope than an independent audit performed in accordance with the Independent Auditing Standards and 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 unconsolidated interim financial information do not presented fairly, in all material respects, the financial position of Ziraat Katılım Bankası Anonim Şirketi at 30 June 2018, and its financial performance and its cash flows for the three-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 unconsolidated 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 unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the unconsolidated financial statements and IFRS.

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

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The unconsolidated 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 BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- EXPLANATIONS ON REVIEW REPORT
- EXPLANATIONS ON INTERIM ACTIVITY REPORT

The accompanying unconsolidated 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 independently 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:

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# 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"))

### SECTION ONE GENERAL INFORMATION ABOUT THE BANK

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

Ziraat 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 Bank has obtained official permission by the decision of Banking Regulation and Supervision Agency numbered as 6302 at 12 May 2015 and published in the Official Gazette numbered as 29355 at 14 May 2015. The Bank has begun its operations by opening its first branch in 29 May 2015. In accordance with the decision of the Bank's Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000.

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

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

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

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

## 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"))

#### GENERAL INFORMATION ABOUT THE BANK (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 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 Bank's share capital.

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

Name / Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. <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 of the Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

## **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”))

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#### **GENERAL INFORMATION ABOUT THE BANK (Continued)**

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

Operation field of Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The bank collects funds with the scope of Banking Principles and provide all type of cash, non-cash funds within the scope of Islamic banking principles in any case. Moreover, the Bank operates its participation banking operations to the extent permitted by the Legal Code, for the benefit of the society within the principles of the participation banking such as for the purpose of society.

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).

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.

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, Bank operates with its 72 branches (31 December 2017: 63 branches) and 937 (31 December 2017: 890) workers domestically.

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 UNCONSOLIDATED FINANCIAL STATEMENTS**

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

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 30 JUNE 2018

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
			Current Period (30/06/2018)		
			TL	FC	Total
	<b>ASSETS</b>				
I.	<b>FINANCIAL ASSETS (NET)</b>		<b>1.741.480</b>	<b>1.906.073</b>	<b>3.647.553</b>
1.1	<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		-	-	-
1.2	<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		-	-	-
1.3	<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
1.4	<b>Financial Assets Measured at Amortized Cost</b>	(4)	-	-	-
1.4.1	Government Debt Securities		-	-	-
1.4.2	Other Financial Assets		-	-	-
1.5	<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		-	-	-
1.6	<b>Non-Performing Financial Assets</b>		-	-	-
1.7	<b>Expected Loss Provision (-)</b>		<b>658</b>	<b>-</b>	<b>658</b>
II.	<b>LOANS (NET)</b>	(7)	<b>11.624.645</b>	<b>3.016.786</b>	<b>14.641.431</b>
2.1	<b>Loans</b>		<b>11.156.695</b>	<b>2.940.431</b>	<b>14.097.126</b>
2.1.1	Measured at Amortized 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		-	-	-
2.2	<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
2.3	<b>Factoring Receivables</b>		-	-	-
2.3.1	Measured at Amortized Cost		-	-	-
2.3.2	Fair Value Through Profit or Loss		-	-	-
2.3.3	Fair Value Through Other Comprehensive Income		-	-	-
2.4	<b>Non-Performing Loans</b>		<b>47.291</b>	<b>-</b>	<b>47.291</b>
2.5	<b>Expected Credit Loss (-)</b>		<b>74.525</b>	<b>-</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
III.	<b>PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND RELATED TO DISCONTINUED OPERATIONS (Net)</b>		<b>4.259</b>	<b>-</b>	<b>4.259</b>
3.1	Held for Sale Purpose		4.259	-	4.259
3.2	Related to Discontinued Operations		-	-	-
IV.	<b>EQUITY INVESTMENTS</b>	(9)	<b>100</b>	<b>-</b>	<b>100</b>
4.1	<b>Investments in Associates (Net)</b>		-	-	-
4.1.1	Associates Valued Based on Equity Method		-	-	-
4.1.2	Unconsolidated Associates		-	-	-
4.2	<b>Subsidiaries (Net)</b>		<b>100</b>	<b>-</b>	<b>100</b>
4.2.1	Unconsolidated Financial Subsidiaries		100	-	100
4.2.2	Unconsolidated Non-Financial Subsidiaries		-	-	-
4.3	<b>Joint Ventures (Net)</b>		-	-	-
4.3.1	Joint Ventures Valued Based on Equity Method		-	-	-
4.3.2	Unconsolidated Joint Ventures		-	-	-
V.	<b>PROPERTY AND EQUIPMENT (Net)</b>	(10)	<b>47.482</b>	<b>-</b>	<b>47.482</b>
VI.	<b>INTANGIBLE ASSETS (Net)</b>	(11)	<b>69.815</b>	<b>-</b>	<b>69.815</b>
6.1	Goodwill		-	-	-
6.2	Other		69.815	-	69.815
VII.	<b>INVESTMENT PROPERTY (Net)</b>	(12)	-	-	-
VIII.	<b>CURRENT TAX ASSET</b>	(13)	-	-	-
IX.	<b>DEFERRED TAX ASSET</b>	(14)	<b>34.423</b>	<b>-</b>	<b>34.423</b>
X.	<b>OTHER ASSETS</b>	(15)	<b>35.720</b>	<b>949</b>	<b>36.669</b>
	<b>TOTAL ASSETS</b>		<b>13.557.924</b>	<b>4.923.808</b>	<b>18.481.732</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 financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 31 DECEMBER 2017

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five I)	THOUSAND OF TURKISH LIRA		
			Prior Period (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)	(2)	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	(3)	3.320	275.261	278.581
IV.	MONEY MARKET PLACEMENTS		-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	(4)	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	(5)	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)	(6)	-	-	-
VIII.	INVESTMENTS IN ASSOCIATES (Net)	(7)	-	-	-
8.1	Accounted with Equity Method		-	-	-
8.2	Unconsolidated Associates		-	-	-
8.2.1	Financial investments		-	-	-
8.2.2	Non-financial investments		-	-	-
IX.	INVESTMENTS IN SUBSIDIARIES (Net)	(8)	100	-	100
9.1	Unconsolidated financial subsidiaries		100	-	100
9.2	Unconsolidated non-financial subsidiaries		-	-	-
X.	ENTITIES UNDER COMMON CONTROL (JOINT VENT.) (Net)	(9)	-	-	-
10.1	Consolidated under equity method		-	-	-
10.2	Unconsolidated		-	-	-
10.2.1	Financial subsidiaries		-	-	-
10.2.2	Non-financial subsidiaries		-	-	-
XI.	RECEIVABLES FROM LEASING TRANSACTIONS	(10)	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	(11)	-	-	-
12.1	Fair Value Hedges		-	-	-
12.2	Cash Flow Hedges		-	-	-
12.3	Hedges for Investments Made in Foreign Countries		-	-	-
XIII.	TANGIBLE ASSETS (Net)	(14)	47.235	-	47.235
XIV.	INTANGIBLE ASSETS (Net)	(15)	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	(16)	14.093	-	14.093
16.1	Current Tax Asset		-	-	-
16.2	Deferred Tax Asset		14.093	-	14.093
XVII.	ASSETS HELD FOR SALE AND ASSETS HELD FROM DISCONTINUED OPERATIONS (Net)	(13)	3.561	-	3.561
17.1	Held for Sale		3.561	-	3.561
17.2	Held from Discontinued Operations		-	-	-
XVIII.	OTHER ASSETS	(17)	27.584	122	27.706
	<b>TOTAL ASSETS</b>		<b>11.010.426</b>	<b>3.339.717</b>	<b>14.350.143</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 financial statements.

**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)  
AS AT 30 JUNE 2018**

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

I.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
			Current Period (30/06/2018)		
			TL	FC	Total
	<b>LIABILITIES AND EQUITY</b>				
<b>I.</b>	<b>FUNDS COLLECTED</b>	(1)	7.865.457	5.567.585	13.433.042
<b>II.</b>	<b>FUNDS BORROWED</b>	(2)	798.459	1.289.304	2.087.763
<b>III.</b>	<b>MONEY MARKETS DEBTS</b>	(3)	611.970	-	611.970
<b>IV.</b>	<b>SECURITIES ISSUED (Net)</b>	(4)	-	-	-
<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)	40.578	-	40.578
<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)	629.329	12.284	641.613
<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
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>11.596.787</b>	<b>6.884.945</b>	<b>18.481.732</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 financial statements.

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 31 DECEMBER 2017

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

II.	BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)	Note (Section Five II)	THOUSAND OF TURKISH LIRA		
			Prior Period (31/12/2017)		
			TL	FC	Total
	<b>LIABILITIES AND EQUITY</b>				
<b>I.</b>	<b>FUND COLLECTED</b>	<b>(1)</b>	<b>6.345.946</b>	<b>3.678.649</b>	<b>10.024.595</b>
1.1	Fund Collected Held By the Risk Group of the Bank		8.156	3	8.159
1.2	Other		6.337.790	3.678.646	10.016.436
<b>II.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>(2)</b>	<b>-</b>	<b>6.280</b>	<b>6.280</b>
<b>III.</b>	<b>FUNDS BORROWED</b>	<b>(3)</b>	<b>977.178</b>	<b>1.629.936</b>	<b>2.607.114</b>
<b>IV.</b>	<b>MONEY MARKET BALANCES</b>	<b>(4)</b>	<b>32.462</b>	<b>-</b>	<b>32.462</b>
<b>V.</b>	<b>MARKETABLE SECURITIES ISSUED (Net)</b>	<b>(5)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>VI.</b>	<b>MISCELLANEOUS PAYABLES</b>		<b>27.254</b>	<b>8.462</b>	<b>35.716</b>
<b>VII.</b>	<b>OTHER LIABILITIES</b>	<b>(6)</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>(8)</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>(9)</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>(10)</b>	<b>27.435</b>	<b>-</b>	<b>27.435</b>
11.1	Current Tax Liability		27.435	-	27.435
11.2	Deferred Tax Liability		-	-	-
<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>(13)</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
	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9.022.020</b>	<b>5.328.123</b>	<b>14.350.143</b>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS AT 30 JUNE 2018

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

II.	STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	THOUSAND OF TURKISH LIRA		
			Current Period (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)</b>	<b>-</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>-</b>	<b>-</b>	<b>-</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>

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

# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS AS AT 31 DECEMBER 2017

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

II.	STATEMENT OF OFF-BALANCE SHEET COMMITMENTS	Note (Section Five III)	THOUSAND OF TURKISH LIRA		
			Current Period (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>(2)</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>

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**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED INCOME STATEMENT  
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. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>THOUSAND OF TURKISH LIRA</b>	
		<b>Current Period 01/01/2018-30/06/2018</b>	<b>Current Period 01/04/2018-30/06/2018</b>
<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 Amortized 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		71.631	40.202
2.3 Profit share expense on money market borrowings		5.197	3.817
2.4 Expense on securities issued		-	-
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 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>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>		<b>-</b>	<b>-</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>		<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>XXII. TAX PROVISION FOR DISCONTINUED OPERATIONS (±)</b>		<b>-</b>	<b>-</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>-</b>	<b>-</b>
<b>XXIV. NET INCOME/(LOSS) (XVIII+XXIII)</b>	<b>(11)</b>	<b>151.306</b>	<b>82.564</b>
Earning/(Loss) per share (in TL full)		0,12104	0,06605

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**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED INCOME STATEMENT  
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. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS</b>			
<b>INCOME AND EXPENSE ITEMS</b>	<b>Note (Section Five IV)</b>	<b>THOUSAND OF TURKISH LIRA</b>	
		<b>Prior Period 01/01/2017-30/06/2017</b>	<b>Prior Period 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 Amortised 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		23.372	13.863
2.3 Profit share expense on money market borrowings		1.524	1.146
2.4 Expense on securities issued		-	-
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 INCOME/(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD</b>		<b>-</b>	<b>-</b>
<b>XIII. INCOME/(LOSS) ON NET MONETARY POSITION</b>		<b>-</b>	<b>-</b>
<b>XIV. 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) (XVIII+XXIII)</b>	<b>(11)</b>	<b>53.670</b>	<b>28.550</b>
Earning/(Loss) per share (in TL full)		0,07185	0,03825

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

## ZİRAAT KATILIM BANKASI A.Ş.

### UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

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

ZİRAAT KATILIM BANKASI A.Ş. UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	
THOUSAND OF TURKISH LIRA	
	Current Period 01/01-30/06/2018
<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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## ZİRAAT KATILIM BANKASI A.Ş.

### UNCONSOLIDATED 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"))

IV. STATEMENT OF PROFIT AND LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY	
	Prior Period 01/01/2017-30/06/2017
I. ADDITIONS TO MARKETABLE SECURITIES VALUATION DIFFERENCES FOR AVAILABLE SALE FINANCIAL ASSETS	(3.262)
II. TANGIBLE ASSETS REVALUATION DIFFERENCES	-
III. INTANGIBLE ASSETS REVALUATION DIFFERENCES	-
IV. FOREIGN EXCHANGE DIFFERENCES FOR FOREIGN CURRENCY TRANSACTIONS I	-
V. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR CASH FLOW HEDGE PURPOSES (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VI. PROFIT/LOSS FROM DERIVATIVE FINANCIAL INSTRUMENTS FOR HEDGE OF NET INVESTMENT IN FOREIGN OPERATIONS (EFFECTIVE PORTION OF FAIR VALUE DIFFERENCES)	-
VII. THE EFFECT OF CORRECTION OF ERRORS AND CHANGES IN ACCOUNTING POLICIES	-
VIII. OTHER PROFIT LOSS ITEMS ACCOUNTED FOR UNDER EQUITY DUE TO TAS	-
IX. DEFERRED TAX OF VALUATION DIFFERENCES	244
X. TOTAL NET PROFIT/LOSS ACCOUNTED FOR UNDER EQUITY (I+II+...+IX)	(3.018)
XI. PROFIT/LOSS	53.670
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
XII. TOTAL PROFIT/LOSS ACCOUNTED FOR THE PERIOD (X+XI)	50.652

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# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED 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").)

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY															
Current Period 1 January -30 June 2018		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)	Current Period Profit or (Loss)	Total Shareholders' Equity
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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# ZİRAAT KATILIM BANKASI A.Ş.

## UNCONSOLIDATED 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").)

V. STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY																		
THOUSAND OF TURKISH LIRA				Effect of inflation accounting on paid-in capital and other capital reserves	Share Premium	Share certificate cancellation profits	Legal reserves	Statutory reserves	Extraordi reserve	Other reserve	Current period net income / (loss)	Prior period net income / (loss)	Marketable securities revaluation reserve	Tangible and intangible assets revaluation fund	Bonus shares from investments	Hedging reserves	Asset held for sale and disc.op. valuation fund.	Total equity
Prior Period 1 January - 31 March 2017	(Note Section V)	Paid-in capital																
I. Balances at the beginning of 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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balances at the end of period (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 financial statements.

**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED 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. UNCONSOLIDATED STATEMENT OF CASH FLOWS</b>		
	<b>Note (Section Five)</b>	<b>THOUSAND OF TURKISH LIRA</b>
		<b>Current Period 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>(78.733)</b>
1.1.1 Profit share income received		771.067
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		(60.692)
1.1.8 Taxes paid		(20.946)
1.1.9 Others		(381.110)
<b>1.2 Changes in operating assets and liabilities</b>		<b>1.165.471</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		(212.915)
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		(9.661)
1.2.5 Net (increase) decrease in other assets		35.397
1.2.6 Net increase (decrease) in bank deposits		3.345.660
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		1.053.345
<b>I. Net cash provided from banking operations</b>		<b>1.086.738</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>(260.222)</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		5.832
<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 financial statements.

**ZİRAAT KATILIM BANKASI A.Ş.****UNCONSOLIDATED 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. UNCONSOLIDATED STATEMENT OF CASH FLOWS</b>		
	<b>Note (Section Five)</b>	<b>THOUSAND OF TURKISH LIRA</b>
		<b>Current Period 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>68.604</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		(63.980)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(103.266)</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		(57.503)
1.2.6 Net increase (decrease) in bank deposits		63.038
1.2.7 Net increase (decrease) in other deposits		1.678.476
1.2.8 Net increase (decrease) in funds borrowed		590.170
1.2.9 Net increase (decrease) in due payables		-
1.2.10 Net increase (decrease) in other liabilities		519.532
<b>I. Net cash provided from banking operations</b>		<b>(34.662)</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>-</b>
3.1 Cash obtained from funds borrowed and securities issued		-
3.2 Cash used for repayment of funds borrowed and securities issued		-
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 financial statements.

**NOTES TO THE UNCONSOLIDATED 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 unconsolidated 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 unconsolidated 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 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 unconsolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

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

**CHANGES IN ACCOUNTING POLICIES**

As of 1 January 2018 the 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 unconsolidated 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 Bank's accounting policies, financial position and performance.

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

The Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of Bank resources consists of funds collected, funds borrowed and shareholders’ equity. Bank evaluates it’s resources with commodity transactions, lease certificates and credits in high-yield and short-term.



**NOTES TO THE UNCONSOLIDATED 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 (Continued)**

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 AND SUBSIDIARIES**

Based on the TAS 27 “Turkish Accounting Standard for Separate Financial Statements”, Turkish Lira denominated investments in associates and subsidiaries are accounted at cost value and are reflected to the unconsolidated financial statements after deducting the provision for impairment, if any. As of 22 January 2016, as a wholly owned subsidiary of the Bank, Ziraat Katılım Varlık Kiralama A.Ş. was established as a subsidiary. On 19 July 2017, the ZKB Varlık Kiralama A.Ş. was established with a capital of TL 50, which was fully paid by the Bank. The Company has started to operate after the registration on 8 September 2017.

**IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS**

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

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

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

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

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

**NOTES TO THE UNCONSOLIDATED 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)**

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

Profit share incomes are recognized in accordance with internal rate of return method. The Bank calculates expense accrual in accordance with the unit value calculation method on sharing accounts and reflects these amounts in “Funds Collected” account on the balance sheet.

**VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES**

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash 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 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 Bank, if the Bank is a legal party to these instruments.

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

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

“Financial assets at fair value through profit/loss” are financial assets that are either acquired for generating a profit from short term fluctuations in prices or are financial assets included in a portfolio aiming to short-term profit making.

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

All gains and losses arising from these valuations are reflected in the income statement.

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

**NOTES TO THE UNCONSOLIDATED 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 Ziraat Katılım 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 Bank does not have any financial assets classified as “Financial Assets at Amortized Cost”.

**Loans:**

Loans are financial assets that are originated by the Bank by providing goods and services to the borrower. Loans are initially recognized at acquisition cost plus transaction costs presenting their fair value and thereafter measured at amortized cost using the “Internal Rate of Return Method”.

Bank loans and receivables are initially carried at cost value. Bank loans are measured at amortized cost with internal rate of return. Short-term and long-term loans are grouped as open or guaranteed; FC loans are recognized with fixed price and revalued by the counter foreign exchange buying rate of the Bank. Foreign exchange indexed loans are used as TL by the valid counter foreign exchange buying rate of the Bank at usage date. Repayments of these loans are collected as calculated TL value by the valid counter foreign exchange selling rate of Bank at installment date.

Bank’s loans are recorded under the “Measured at Amortized Cost” account.

**NOTES TO THE UNCONSOLIDATED 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 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 UNCONSOLIDATED 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 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. 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.

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

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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, 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 bank has no discounted operations.

As of 30 June 2018, the 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 Bank has no goodwill within the financial statements.

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

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

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

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

**XIII. EXPLANATIONS ON TANGIBLE ASSETS**

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

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

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**

*Transactions as a lessee*

The 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".

*Transactions as a lessor*

The 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.

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**ACCOUNTING PRINCIPLES (Continued)**

**XV. EXPLANATIONS ON PROVISIONS AND CONTINGENT LIABILITIES**

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

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

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

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

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

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

**a. Employment termination and vacation benefits**

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

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

The Bank’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 30 June 2018, the 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 Bank is TL 3.547 (31 December 2017: TL 2.389).

The Bank 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 31 March 2017 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 bank applies new regulations to its current and deferred tax responsibilities. The corporate tax rate is calculated on the total income of the Bank after adjusting for certain disallowable expenses, exempt income (like affiliate gains) and other allowances. If there is no dividend distribution, no further tax charges are made.

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

Corporations are required to pay advance corporate tax quarterly at the current rate on their corporate income. Advance tax is declared 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%).

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

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

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

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 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.

## **ZİRAAT KATILIM BANKASI A.Ş.**

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

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#### **ACCOUNTING PRINCIPLES (Continued)**

##### **XVIII. EXPLANATIONS ON ADDITIONAL DISCLOSURES ON BORROWINGS**

Borrowings, are recognized using the effective internal rate of return method in the following periods after the initial recognition. The Bank has no borrowings that require hedging techniques for accounting and revaluation of debt instruments and liabilities representing the borrowings. There are no debt securities issued by the Bank. The Bank has issued borrowings as sukuk issuances, this through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

##### **XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED**

None.

##### **XX. EXPLANATIONS ON ACCEPTANCES**

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

##### **XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES**

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

##### **XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS**

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

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

##### **XXIII. EXPLANATION ON SEGMENT REPORTING**

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

## 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").)

#### 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 Bank are below.

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

ASSETS	31.12.2017	TFRS-9 Reclassification impact	TFRS-9 Remeasurement 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 DISCONTINUED OPERATIONS (NET)</b>	<b>3.561</b>	<b>-</b>	<b>-</b>	<b>3.561</b>
<b>EQUITY INVESTMENTS</b>	<b>100</b>	<b>-</b>	<b>-</b>	<b>100</b>
Investments in Associates (Net)	-	-	-	-
Subsidiaries (Net)	100	-	-	100
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>41.799</b>	<b>-</b>	<b>-</b>	<b>41.799</b>
<b>TOTAL ASSETS</b>	<b>14.350.143</b>	<b>(99.083)</b>	<b>62.661</b>	<b>14.313.721</b>

## ZİRAAT KATILIM BANKASI A.Ş.

### NOTES TO THE UNCONSOLIDATED 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 TFRS 9 31 December 2017	Remeasurements	Book value after TFRS 9 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>

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

(\*\*) 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 Bank 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.

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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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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### SECTION FOUR

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

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

As of 30 June 2018 current period capital amount of the Bank 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 Shareholders' Equity:

	Current Period 30.06.2018	Amounts related to treatment 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 recognized 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 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)

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

	Current Period 30.06.2018	Amounts related to treatment before 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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	-
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	-
Other items to be defined by the BRSA	-	-
<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>		
	1.241	
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 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)

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

	Current Period 30.06.2018	Amounts related to treatment 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	13.570.148	
<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 unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<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 Bank accounts for capital increase has been taken into consideration in the contribution capital account until the completion of the capital increase procedure.

## 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)

#### 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 31.12.2017	Amounts related to treatment 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 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)****I. EXPLANATIONS ON SHAREHOLDERS' EQUITY (Continued)**

	<b>Prior Period 31.12.2017</b>	<b>Amounts related to treatment before 1/1/2014(*)</b>
<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 Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
<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 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)

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

	Prior Period 31.12.2017	Amounts related to treatment 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	9.643.523	
<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 unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
<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 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)

#### 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 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 CURRENCY RISK

- a) Whether the Bank is exposed to foreign currency risk, whether the effects of this matter are estimated, whether limits for the daily followed positions are determined by the Board of Directors

The Bank's policy is to avoid carrying significant position by means of foreign currency management. Therefore, the Bank is not exposed to significant currency risks. Risks are monitored by the currency risk tables prepared based on the standard method. Besides, "Value at Risk" ("VAR") is calculated for daily foreign exchange position and reported to the related departments. VAR based currency risk limit is also followed which was approved by Board of Directors.

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

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

None.

- c) 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 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.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100Yen
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

- d) Simple arithmetic average of the Bank's current foreign exchange bid rates for the last 30 days prior to the balance sheet date:

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
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 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)

#### II. EXPLANATIONS ON THE CURRENCY RISK (Continued)

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

	EUR	USD	Other FC <sup>(4)</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 amortised 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.

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

**III. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS**

**Carrying value of share investments, for fair value and quoted securities, comparison with market value if market value is significantly different from fair value:**

The breakdown of the amount of capital liabilities on the basis of the relevant share investments, depending on the method of calculating the capital obligation selected by the bank from among the approaches allowed to be used in the Communiqué on Credit Risk Standard Method or Communiqué Related to Calculation of Credit Risk Based Approach Based on Internal Grading:

According to the standard method of credit risk, equity investments in banking accounts are TL 7.275 all of which are 100% risk weighted (31 December 2017: TL 7.181).

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

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

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

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

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

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



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

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

**1) LIQUIDITY RISK:**

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

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

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

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

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

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

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

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

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

**2) Liquidity Coverage Ratio:**

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

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

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

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)****IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****2) Liquidity Coverage Ratio (Continued):**

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

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

Current Period	Consideration Ratio Not Applied Total Value (*)		Consideration Ratio Applied Total Value (*)	
	TL+FC	FC	TL+FC	FC
<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	712.018	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>1.993.316</b>	<b>1.071.342</b>
<b>LIQUIDITY COVERAGE RATIO (%)</b>	<b>-</b>	<b>-</b>	<b>122</b>	<b>155</b>

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

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**EXPLANATIONS RELATED TO THE FINANCIAL POSITION AND RISK MANAGEMENT OF THE BANK (Continued)****IV. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO (Continued)****2) Liquidity Coverage Ratio (Continued):**

Prior Period	Consideration Ratio Not Applied		Consideration Ratio Applied	
	Total Value (*)		Total Value (*)	
	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>

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

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

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

##### Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed (*)	Total
<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	-	-	-	-	-	-	197.908	197.908
<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>202.805</b>	<b>18.481.732</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	605	20.118	20.020	-	-	-	-	40.743
Current and Participation Accounts	1.598.832	8.376.631	2.518.757	883.281	14.798	-	-	13.392.299
Funds Provided from Other Financial Instruments	-	490.324	974.609	459.589	163.241	-	-	2.087.763
Money Market Borrowings	-	611.970	-	-	-	-	-	611.970
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities *	-	-	-	-	-	-	2.348.957	2.348.957
<b>Total Liabilities</b>	<b>1.599.437</b>	<b>9.499.043</b>	<b>3.513.386</b>	<b>1.342.870</b>	<b>178.039</b>	<b>-</b>	<b>2.348.957</b>	<b>18.481.732</b>
<b>Liquidity Gap</b>	<b>(372.180)</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>(2.146.152)</b>	<b>-</b>

(\*) Fixed 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 tangible assets are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

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

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

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

##### Breakdown of assets and liabilities according to their outstanding maturities:

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	155.975	8.934	515	3.174	280.271	80.050	-	528.919
<b>Total Assets</b>	<b>760.275</b>	<b>2.773.702</b>	<b>844.683</b>	<b>2.935.363</b>	<b>5.945.583</b>	<b>1.085.818</b>	<b>4.719</b>	<b>14.350.143</b>
<b>Liabilities</b>								
Funds Collected from Banks Via Current and Participation Accounts	339	5.007	-	-	-	-	-	5.346
Current and Participation Accounts	1.650.828	6.769.575	1.248.662	346.236	3.948	-	-	10.019.249
Funds Provided from Other Financial Instruments	-	628.415	539.900	1.244.308	194.491	-	-	2.607.114
Money Market Borrowings	-	32.462	-	-	-	-	-	32.462
Issued Marketable Securities	-	-	-	-	-	-	-	-
Sundry Creditors	-	-	-	-	-	-	35.716	35.716
Other Liabilities <sup>(*)</sup>	-	-	-	-	-	-	1.650.256	1.650.256
<b>Total Liabilities</b>	<b>1.651.167</b>	<b>7.435.459</b>	<b>1.788.562</b>	<b>1.590.544</b>	<b>198.439</b>	<b>-</b>	<b>1.685.972</b>	<b>14.350.143</b>
<b>Liquidity Gap</b>	<b>(890.892)</b>	<b>(4.661.757)</b>	<b>(943.879)</b>	<b>1.344.819</b>	<b>5.747.144</b>	<b>1.085.818</b>	<b>(1.681.253)</b>	<b>-</b>

<sup>(\*)</sup> Fixed 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 tangible assets are included under unallocated assets. The unallocated other liabilities column consists of equity and provisions.

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

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

##### V. EXPLANATIONS ON LEVERAGE RATIO

As of 30 June 2018, leverage ratio of the Bank 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:

Balance sheet assets	Current Period <sup>(*)</sup>	Prior Period
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	17.593.480	13.721.862
(Assets deducted from main capital)	(113.766)	(81.514)
Total risk amount of the balance sheet assets	17.479.714	13.640.348
<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	26.192.486	20.015.200
<b>Leverage ratio</b>		
Leverage ratio	5,5	6,6

<sup>(\*)</sup> Amounts in the table are obtained on the basis of six-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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

Internal bank risk appetite has been established and is periodically shared with top management in order to follow the specified risks. In addition, detailed risk management reports, including stress tests and scenario analyses, where all risks are analyzed in detail, are reported to the Audit Committee.

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

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

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

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

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

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

		Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period	Current Period
	<b>Overview of RWA</b>			
1	Credit risk (excluding counterparty credit risk) (CCR)	12.868.779	9.308.304	1.029.502
2	Standardized approach (SA)	12.868.779	9.308.304	1.029.502
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>13.570.148</b>	<b>9.643.523</b>	<b>1.085.612</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)

##### 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	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>47.291</b>

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	<b>Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)</b>	<b>34.841</b>

##### 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
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
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	-	-	-	-	-



# 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)

##### 4. 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	428.317	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	103.169	-	103.169	-	62.045	60%
17	Investments in equities	-	-	-	-	-	0%
18	<b>Total</b>	<b>10.603.614</b>	<b>6.182.199</b>	<b>10.603.614</b>	<b>3.893.916</b>	<b>9.308.304</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)

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

	Risk classes/ Risk Weight	0%	10%	20%	35% (secured by real estate)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and 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	-	375.663	-	5.067	-	-	-	1.493.454
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	-	-	-	-	-	825.201
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>

	Risk classes/ Risk Weight	0%	20%	35% (secured by real estate)	50% (secured by real estate)	50%	75%	100%	200%	Others	Total credit risk exposure amount (after CCF and 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	-	-	-	-	-	-	84.641	-	84.658
4	Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-
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	-	-	-	674.564	319	-	-	-	-	674.883
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	-	-	-	-	-	-	62.045	-	103.169
18	<b>Total</b>	<b>3.030.371</b>	<b>-</b>	<b>971.009</b>	<b>674.564</b>	<b>620.353</b>	<b>898.373</b>	<b>740.926</b>	<b>7.559.907</b>	<b>2.027</b>	<b>14.497.530</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”))

#### 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%	Other	Total credit risk <sup>(*)</sup>
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)									
Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	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

## 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 UNCONSOLIDATED 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 Bank conducts its operations.

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

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

In addition, derivative transactions are made by the 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 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)

#### IX. EXPLANATIONS ON OPERATING SEGMENTS

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

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

**Table for Segment Reporting:**

Current Period	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/Undistributed	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	-	-	71.631	-	71.631
Profit Shares Expense on Money Market Transactions	-	-	5.197	-	5.197
Profit Shares Expense on Securities Issued	-	-	-	-	-
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>4.746</b>	<b>24.371</b>	<b>-</b>	<b>(6.327)</b>	<b>22.790</b>
Fees and Commissions Received	4.746	24.371	-	3.779	32.896
Fees and Commissions Paid	-	-	-	10.106	10.106
<b>Personel 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>(63.635)</b>	<b>347.096</b>	<b>(20.307)</b>	<b>(74.655)</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>(63.635)</b>	<b>347.096</b>	<b>(20.307)</b>	<b>(111.848)</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	-	-	100	-	100
Other Assets	-	-	-	2.135.342	2.135.342
<b>Total Segment Assets</b>	<b>1.669.943</b>	<b>11.721.524</b>	<b>2.954.923</b>	<b>2.135.342</b>	<b>18.481.732</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	8.781.593	4.651.449	-	-	13.433.042
Derivative Financial Liabilities Held for Trading	-	-	4.568	-	4.568
Funds Borrowed	-	-	2.087.763	-	2.087.763
Money Market Funds	-	-	611.970	-	611.970
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	107.915	107.915
Other Liabilities	-	-	-	682.515	682.515
Shareholders' Equity	-	-	-	1.553.959	1.553.959
<b>Total Segment Liabilities</b>	<b>8.781.593</b>	<b>4.651.449</b>	<b>2.704.301</b>	<b>2.344.389</b>	<b>18.481.732</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)

#### IX. EXPLANATIONS ON OPERATING SEGMENTS (Continued)

Table for Segment Reporting:

Prior Period 1 January - 31 March 2017	Retail Banking	Corporate/ Entrepreneur ial Banking	Treasury/ Investment Banking	Other/Undistr 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	-	-	23.372	-	23.372
Profit Shares Expense on Money Market Transactions	-	-	1.524	-	1.524
Profit Shares Expense on Securities Issued	-	-	-	-	-
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	-	-	50	-	50
Other Assets	-	-	-	1.702.481	1.702.481
<b>Total Segment Assets</b>	<b>1.152.963</b>	<b>6.590.998</b>	<b>1.479.046</b>	<b>1.702.481</b>	<b>10.925.488</b>
<b>SEGMENT LIABILITIES</b>					
Funds Collected	4.611.087	2.778.537	-	-	7.389.624
Derivative Financial Liabilities Held for Trading	-	-	2.926	-	2.926
Funds Borrowed	-	-	1.881.066	-	1.881.066
Money Market Funds	-	-	61.791	-	61.791
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	100.595	100.595
Other Liabilities	-	-	-	674.213	674.213
Shareholders' Equity	-	-	-	815.273	815.273
<b>Total Segment Liabilities</b>	<b>4.611.087</b>	<b>2.778.537</b>	<b>1.945.783</b>	<b>1.590.081</b>	<b>10.925.488</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"))

#### SECTION FIVE

#### EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

##### I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash 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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

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

##### 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 4.987.

	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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

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

##### 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, there are 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, there are no government debt securities measured at amortized cost.

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

As of 31 December 2017, there are no government debt securities held to maturity.

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

As of 30 June 2018, there are no financial assets measured at amortized cost.

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

As of 31 December 2017, there are 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>

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

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
<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>1.252.982</b>	<b>-</b>	<b>760.258</b>	<b>-</b>

(\*) Include 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, there are no loans and other receivables with revised contract terms (31 December 2017: None).

	Standard Loans	Loans Under close monitoring
<b>General Provision</b>		
12 Month Expected Credit Losses	29.081	-
Significant Increase in Credit Risk	-	15.343

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

###### 7. Information related to loans (Continued):

No. of extensions	Standard Loans	Loans Under close monitoring
1 or 2 Times Extended <sup>(*)</sup>	-	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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)****7. Information related to loans (Continued):****c) Information on consumer loans, individual credit cards and personnel loans and personnel credit cards:**

	<b>Short-Term</b>	<b>Medium and Long-Term</b>	<b>Total</b>
<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>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Consumer Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Retail Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Retail Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</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>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Loans-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
<b>Personnel Credit Cards-TL</b>	<b>-</b>	<b>-</b>	<b>-</b>
With Installment	-	-	-
Without Installment	-	-	-
<b>Personnel Credit Cards-FC</b>	<b>-</b>	<b>-</b>	<b>-</b>
Installment based	-	-	-
Without Installment	-	-	-
<b>Overdraft Account-TL (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Overdraft Account-FC (Real Person)</b>	<b>-</b>	<b>-</b>	<b>-</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 not included in the table.



**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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO 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>451</b>	<b>451</b>
Business Loans	-	-	-
Vehicle Loans	-	451	451
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 bank has no loans granted to subsidiaries and participations (31 December 2017: None).

**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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)****7. Information related to loans (Continued):****g) Credit-Impaired Losses (Stage 3 / Specific Provision):**

	<b>Current Period</b>
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:**

	<b>Prior Period</b>
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**

	<b>Current Period</b>		<b>Prior Period</b>	
	<b>Gross</b>	<b>Net</b>	<b>Gross</b>	<b>Net</b>
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):****ı.1) Information on loans and other receivables included in non-performing receivables which are restructured or rescheduled:**

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

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

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<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>

**ı.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).

**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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****I. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)****7. Information related to loans (Continued):****i) Gross and net amounts of non-performing receivables according to user groups:**

	<b>Group III: Loans and other receivables with limited collectability</b>	<b>Group IV: Loans and other receivables with doubtful collectability</b>	<b>Group V: Uncollectible loans and other receivables</b>
<b>Current Period (Net)</b>	<b>2.884</b>	<b>7.183</b>	<b>7.123</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: Loans with limited collectability</b>	<b>Group IV: Loans with doubtful collectability</b>	<b>Group V: Uncollectible loans</b>
<b>Period End Balance</b>			
Profit Share Accrual and Valuation Differences Provision	54	486	1.328

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

Execution proceedings are carried out for the collection of receivables from loan services of the Bank's. During this process, tangible guarantees constituting guarantees of receivables of the Bank and assets of the debtor(s) are realized while receivables of the Bank are also tried to be collected and liquidated by means of administrative procedures.

**k) Explanations on write-off policy:**

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

# 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

###### b1) Information on unconsolidated subsidiaries:

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

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

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

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

(1) 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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

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

###### 9. Equity Investments

###### 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

###### b4) Subsidiaries that are quoted on the stock exchange:

As of 30 June 2018, the 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 Bank (31 December 2017: None).

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

	Immovables	Tangibles- Financial Leasing	Vehicles	Operational Leasing Development Costs	Other 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.

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO ASSETS (Continued)

##### 11. Information on intangible assets:

	Current Period			Prior Period		
	Book Value	Accumulated Depreciation	Net Value	Book Value	Accumulated Depreciation	Net Value
Leasehold Improvements	-	-	-	-	-	-
Establishment Costs	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Intangible Rights	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.
- ç) 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.

##### 12. Information on the investment properties:

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

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

The 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.

##### 15. Information on other assets:

As of 30 June 2018, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

**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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES****1. a) Information on funds collected:****a.1) Information on maturity structure of funds collected:**

Current Period	Demand	Up to 1 Month	Up to 3 Months	Up to 6 months	Up to 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	419.452	-	-	-	-	-	-	419.452
Public sector	11.228	-	-	-	-	-	-	11.228
Commercial sector	388.789	-	-	-	-	-	-	388.789
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>1.599.436</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>13.433.042</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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

#### II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES

##### 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	431.271	-	-	-	-	-	-	431.271
Public sector	99.145	-	-	-	-	-	-	99.145
Commercial sector	317.668	-	-	-	-	-	-	317.668
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>1.651.165</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>10.024.595</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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	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	798.459	866.748	566.742	523.098
From Foreign Banks, Institutions and Funds	-	422.556	-	1.106.838
<b>Total</b>	<b>798.459</b>	<b>1.289.304</b>	<b>977.178</b>	<b>1.629.936</b>

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	798.459	679.853	977.178	291.782
Medium and Long-term	-	609.451	-	1.338.154
<b>Total</b>	<b>798.459</b>	<b>1.289.304</b>	<b>977.178</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 consists of current and share profit account.

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<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:

None (31 December 2017: None).

##### 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 Bank'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>6.280</b>

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

None.

##### 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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****8. Information on provisions (Continued):****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 indemnified non-cash loans amount to TL 1.642 (31 December 2017: TL 177).

**ç) Information on other provisions:****ç.1) Information on free provisions for possible risks:**

None (31 December 2017: None).

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

According to article 19 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, 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.

**d) Information on provisions for employee benefits:****d.1) Employment termination benefits and unused vacation rights**

Under the Turkish Labor Law, the Bank is required to pay termination benefits to each employee who has completed at least one year of service, excluding resignation or misconduct, whose employment is terminated without due cause, is called up for military service, dies or retires or earns the right to retire. As of the date of 30 June 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 Bank uses actuarial method in the calculation and recognition of severance pay with in the standard of TAS 19 – "Turkish Accounting Standard on Employee Benefits".

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

	Current Period
Discount Rate (%)	4,77

**d.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).

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

##### 8. Information on provisions (Continued):

##### d) Information on provisions for employee benefits (Continued):

##### d.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 SGK	9,80%	9,80%
- Health benefits will be transferred to SGK	9,80%	9,80%

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

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

##### 9. Explanations on tax liability:

##### a) Explanations on current tax liability:

##### a.1) Information on tax provisions:

As of 30 June 2018, the Bank's corporate income tax liability is TL 19.311 after deducting temporary taxes paid during the period from the tax provisions (31 December 2017: TL 12.990).

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

	Current Period	Prior Period
Corporate Tax Payable	19.311	12.990
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>40.367</b>	<b>27.158</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>

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****II. EXPLANATIONS AND NOTES RELATED TO LIABILITIES (Continued)****10) Information on deferred tax liabilities, if any:**

The Bank'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 Bank does not have any payables for assets held for sale and discontinued operations (31 December 2017: None).

**12. Explanations on subordinated debts:**

The Bank 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.

**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.

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

None.

**d) 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).

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

The Bank has no any uncertainty related to profitability and liquidity for the prior period (31 December 2017: None).

**f) Information on preferred shares:**

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

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

##### 14. Information on shareholders' equity:

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

	Current Period	
	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-
Revaluation Difference	-	-
Foreign Exchange Difference	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	(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>

	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>

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

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

##### a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	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>

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

##### 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>

##### 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>

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
<b>Profit share on loans <sup>(*)</sup></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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE 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	42.833	15.091	6.397	8.552
<b>Total</b>	<b>49.835</b>	<b>21.796</b>	<b>7.981</b>	<b>15.391</b>

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

As of 30 June 2018, the amount of profit share expense given to associates and subsidiaries is TL 42.833 (30 June 2017: 6.397).

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

None (30 June 2017: None).

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

Current Period	Participation Accounts					Total
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	
<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 UNCONSOLIDATED FINANCIAL STATEMENTS  
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**EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS  
(Continued)****IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)****d) Distribution of profit share on funds based on maturity of funds (Continued):**

Prior Period	Participation Accounts					
	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
<b>Account Name</b>						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	41	-	-	-	41
Real Person's Non Commercial Participation 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 Current and Participation Accounts	-	703	-	-	-	703
Real Person's Non Commercial 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 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	(8.849)
<b>Total</b>	<b>23.119</b>	<b>(8.849)</b>

**5. Information on other operating income:****Information on factors covering the recent developments which has significant effect on the Bank's income and the extent of effect on income:**

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

## ZİRAAT KATILIM BANKASI A.Ş.

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)

##### 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 regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, 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 regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, 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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)

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

	Current Period
Personnel expenses (**)	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 (*)	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 (*)	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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

#### IV. EXPLANATIONS AND NOTES RELATED TO THE INCOME STATEMENT (Continued)

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

As of 30 June 2018, The Bank 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 Bank's total tax provision expense amounting to TL 37.193 (30 June 2017: TL 15.953) consists of TL 45.326 (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 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 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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

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

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

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

##### Current Period

Risk group of the Bank	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 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>	-	-	8.159	1.796	-	-
Balance at the beginning of period	-	-	30.358	8.159	-	-
Balance at the end of period	-	-	613	-	-	-
<b>Profit share expense</b>	-	-	-	-	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
<b>Funds Borrowing</b>	-	-	-	-	-	-
Balance at the beginning of period	557.814	101.459	-	-	-	-
Balance at the end of period	788.445	557.814	-	-	-	-
<b>Profit share paid expense</b>	42.833	6.397	-	-	-	-

## 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 AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	1.264.078	259.672	-	-
Closing Balance	-	-	2.190.620	1.264.078	-	-
<b>Total Profit/Loss</b>	-	-	<b>5.714</b>	<b>2.844</b>	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
<b>Total Profit/Loss</b>	-	-	-	-	-	-

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

The Bank has paid TL 1.812 (30 June 2017: TL 1.172) to top management.

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

None.

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

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

	Number	Number of Employee		
Domestic branches (*)	72	937		
			Country	
Foreign representative offices	-	-		
Foreign branches	-	-		
Off shore banking branches	-	-		
			Total Assets	Legal Equity
			-	-

(\*) 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 UNCONSOLIDATED 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, unconsolidated 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 financial statements.

##### **II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS**

None.



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

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

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**SECTION SEVEN**

**EXPLANATIONS ON 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 are 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 and understanding of the first round of the presidential election, 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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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

**II. 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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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**EXPLANATIONS ON 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 is 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 Katılım Bankası, continues to pursue its operations with 72 branches in 39 provinces inside Turkey.

**We target customer satisfaction with investments made in "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 when the Bank was established. 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 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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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

**II. Assessment of General Manager**

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

Ziraat Katılım Bank and SSTEK Defense Industry Technologies Co., Inc. declared 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 to the public in Ankara on 16 May 2018.

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 to 2.9 Billion TL**

Ziraat Participation Bank, Inc. successfully issued of four lease 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 lease 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 over 500 SME customers.

**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 UNCONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2018

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

#### EXPLANATIONS ON 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

In the Group assets, indicators take shares as follows; loans volume is TL 14.641.431 thousand with 79%, liquid assets and banks volume is TL 2.772.247 thousand with 15%, security volume is TL 875.306 thousand with 5% and other assets volume is TL 192.748 thousand with 1%.

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	192.748	528.919	(64)
<b>Total Assets</b>	<b>18.481.732</b>	<b>14.350.143</b>	<b>29</b>

In the Group liabilities, indicators take shares as follows; deposit volume is TL 13.433.042 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 8% and other liabilities volume is TL 790.430 thousand with 4%.

LIABILITIES (THOUSAND TL)	30 June 2018	31 December 2017	Change (%)
Deposits	13.433.042	10.024.595	34
Resources Out of Deposit	2.704.301	2.645.856	2
Other Liabilities	790.430	276.011	186
Shareholders' Equity	1.553.959	1.403.681	11
<b>Total Liabilities</b>	<b>18.481.732</b>	<b>14.350.143</b>	<b>29</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 ON 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
Personnel 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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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

**VII. 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.

Turkish 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 ("CBRT") 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 UNCONSOLIDATED FINANCIAL STATEMENTS  
AS AT 30 JUNE 2018**

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

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

**VII. 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.