

INDEPENDENT AUDITOR'S REPORT



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To the Shareholders of Ziraat Katılım Bankası Anonim Şirketi

A) Report on the Audit of the Unconsolidated Financial Statements

Qualified Opinion

We have audited the accompanying unconsolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi ("the Bank") which comprise the unconsolidated statement of financial position as at 31 December 2019 and the 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 for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of our report, the accompanying unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of Ziraat Katılım Bankası Anonim Şirketi as at 31 December 2019, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the "Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation" which includes the "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 circulars and interpretations published by BRSA and requirements of Turkish Financial Reporting Standards ("TFRS") for the matters not regulated by the aforementioned legislations.

Basis for Qualified Opinion

As disclosed in section five footnote II.8.c., the accompanying unconsolidated financial statement as at 31 December 2019 includes a general reverse of total TL 80.000 thousands, of which TL 30.000 thousand had been recognized as expense in the prior period, and TL 50.000 thousand was recognized as expense in the current period, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions.

We conducted our audit in accordance with the “Regulation on Independent Audit of the Banks” (“BRSA Audit Regulation”) published in the Official Gazette No.29314 dated 2 April 2015 by BRSA and Independent Standards on Auditing which is a component of the Turkish Auditing Standards (“TSA”s) published by the Public Oversight Accounting and Auditing Standards Authority (“POA”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the POA’s Code of Ethics for Independent Auditors (“Code of Ethics”) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans and leasing receivables (“loans”) measured at amortised cost

Refer to Section III, No: VIII to the unconsolidated financial statements relating to the details of accounting policies and significant judgments for impairment of loans measured at amortised cost.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How the matter is addressed in our audit
<p>As of 31 December 2019, loans measured at amortised cost comprise approximately 71% of the Bank's total assets.</p> <p>The Bank recognizes its loans measured at amortised cost in accordance with the Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside (the "Regulation") published on the Official Gazette No. 29750 dated 22 June 2016 which became effective on 1 January 2018 and TFRS 9 Financial Instruments standard ("Standard").</p> <p>In determining the impairment of financial assets the Bank apply expected credit loss model which is contains significant assumptions and estimates in accordance with the Regulation and the Standards.</p> <p>The significant assumptions and estimates of the Bank's management are as follows:</p> <ul style="list-style-type: none"> - Determining the significant increase in credit risk since initial recognition of loans on the financial statements - incorporating the forward looking macroeconomic information in calculation of credit risk - design and implementation of expected credit loss model <p>The determination of the impairment of loans measured at amortised cost depends on the (i) credit default status, (ii) the model based on the change in the credit risk at the first recognition date and (iii) the classification of the loans measured at amortised cost according to the model. Establishing an accurate classification is a significant process as the calculation of expected credit loss varies to the staging of the financial assets. The Bank estimates expected credit losses on a collective basis.</p> <p>The collective basis expected credit loss calculation is based on complex processes which are modelled by using current and past data sets and incorporating the future expectations.</p> <p>Impairment on loans calculation is determined as a key audit matter, due to the significance of the estimates and the level of judgments and its complex structure as explained above</p>	<p>Our procedures for auditing the expected credit losses on loans include below:</p> <ul style="list-style-type: none"> - The design and operating effectiveness of the controls on lending, collateralization, collection, follow-up, classification and impairment procedures are tested with the support of information risk management specialists. - We evaluated the adequacy of the subjective and objective criteria that is defined in the Bank's impairment accounting policy compared with the Regulation and Standard. - We evaluated the model and methodology and the evaluation of the calculations carried out with the control testing and detail analysis by the involvement of specialist. - We performed loan reviews for selected loan samples which include a detailed examination of loan files and related information and evaluation of their classification. In this context, the current status of the loan customer has been evaluated by including forward looking information and macroeconomic expectations. - We tested the accuracy and completeness of the data in calculation of the data in the calculation models for the loans which are assessed on collective basis. We recalculated the expected credit loss calculation. The models used for the calculation of the risk parameters were examined and the risk parameters were recalculated. - We assessed the macroeconomic models which are used to reflect forward looking expectations and tested the effect of the risk parameters by recalculation method. - We evaluated the criterias which are used in determining the significant increase in credit risk. - We evaluated the adequacy of the disclosures in the unconsolidated financial statements related to impairment provisions.

Responsibilities of Management and Those Charged with Governance for the Unconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated financial statements in accordance with the “BRSA Accounting and Reporting Legislation”, and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditors’ Responsibilities for the Audit of the Unconsolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with BRSA Regulation and TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with BRSA Audit Regulation TSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors’ report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors’ report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Report on Other Legal and Regulatory Requirements

- 1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code No. 6102 ("TCC"); no significant matter has come to our attention that causes us to believe that the Bank's bookkeeping activities for the period 1 January - 31 December 2019 are not in compliance with TCC and provisions of the Bank's articles of association in relation to financial reporting.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

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 unconsolidated 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.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative

Erdal Tıkmak, SMİMM
Partner

20 February 2020
İstanbul, Turkey

ZİRAAT KATILIM BANKASI A.Ş.
**UNCONSOLIDATED FINANCIAL REPORT OF ZİRAAT KATILIM BANKASI A.Ş.
AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2019**

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

The Bank’s Headquarter Address: Hobyar Eminönü Mahallesi
Hayri Efendi Cad. Bahçekapı No: 12 34112 Fatih/İSTANBUL
Phone: (212) 404 11 00
Facsimile: (212) 404 10 81
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The unconsolidated year-end financial report in accordance with the “Communiqué on the Financial Statements and Related Explanation and Notes that will be Publicly Announced” as sanctioned by the Banking Regulation and Supervision Agency, is comprised of the following sections:

- GENERAL INFORMATION ABOUT THE BANK
- UNCONSOLIDATED FINANCIAL STATEMENTS OF THE BANK
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR’S REPORT

The accompanying unconsolidated financial statements 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 audited.

Hüseyin AYDIN
Chairman of the Board

Metin ÖZDEMİR
Member of the Board,
General Manager

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

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

Osman KARAKÜTÜK
Vice President of Treasury Management
and International Banking

Gürkan ÇAKIR
Head of Financial Management
Department

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

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ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

(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 29 April 2016, the paid-in capital of the Bank has been increased in cash by TL 72.000 from TL 675.000 to 747.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 13 June 2017, the paid-in capital of the Bank has been increased by the amount of cash by TL 500.000 and by increasing the amount of internal resources by TL 3.000 to TL 1.250.000. In accordance with the decision of the Bank’s Ordinary General Assembly Meeting held on 20 September 2018, the paid-in capital of the Bank has been raised from TL 1.250.000 to TL 1.750.000 by increasing the amount of cash by TL 500.000.

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

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

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

All of the shares of the of the Bank, 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 OF 31 DECEMBER 2019

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

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

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

Name of Shareholders	31 December 2019		31 December 2018	
	Paid-in Capital	%	Paid-in Capital	%
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	99,9999996
Ziraat Sigorta A.Ş.	-	0,0000001	-	0,0000001
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	0,0000001
Ziraat Teknoloji A.Ş.	-	0,0000001	-	0,0000001
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	0,0000001
Total	1.750.000	100,00	1.750.000	100,00

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

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

Name	Title
Board of Directors	
Hüseyin AYDIN	Chairman
Yusuf DAĞCAN	Vice chairman of the BOD, Member of Corporate Management Committee, Substitute Member of the Credit Committee
Metin Özdemir	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Audit Committee, Member of Credit Committee
Mahmut KAÇAR	Member of the BOD, Corporate Governance Committee member, Member of Pricing Committee
Cemalettin BAŞLI	Member of the BOD, Member of the Audit Committee, Member of Credit Committee
Assistant General Manager	
Dr. Ahmet ORTATEPE	Credit Policies
Mehmet Said GÜL	Information Technologies and Operational Processes
Osman KARAKÜTÜK	Treasury Management and International Banking
Tahir DEMİRKIRAN	Loan Allocation and Management
Temel Tayyar YEŞİL	Marketing

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

Name/Trade Name	Share Amount (Nominal)	Shareholding Percentage	Paid Shares	Unpaid Shares
T.C. Ziraat Bankası A.Ş. ^(*)	1.750.000	99,9999996	1.750.000	-
Ziraat Sigorta A.Ş.	-	0,0000001	-	-
Ziraat Hayat ve Emeklilik A.Ş.	-	0,0000001	-	-
Ziraat Teknoloji A.Ş.	-	0,0000001	-	-
Ziraat Yatırım Menkul Değerler A.Ş.	-	0,0000001	-	-
Total	1.750.000	100,00	1.750.000	-

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

V. EXPLANATIONS OF THE BANK'S SERVICES AND FIELD OF OPERATIONS

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

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

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

As of 31 December 2019, Bank operates with its 93 branches (31 December 2018: 80 domestic branches) and 1,129 (31 December 2018: 1042) workers domestically.

Bank has no branches abroad.

ZİRAAT KATILIM BANKASI A.Ş.
**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2019**

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

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
- VII. Statement of profit distribution

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 DECEMBER 2019**

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

	Note (V)	Audited Current Period (31/12/2019)			Audited Revised ^(*) Prior period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
AKTİF VASSETLER							
I. FINANCIAL ASSETS (NET)		2.190.417	4.024.699	6.215.116	1.522.500	2.600.622	4.123.122
1.1 Cash And Cash Equivalents		105.170	3.705.513	3.810.683	339.129	2.470.056	2.809.185
1.1.1 Cash And Balances With Central Bank	(1)	100.139	2.794.300	2.894.439	333.810	1.673.503	2.007.313
1.1.2 Banks	(2)	5.205	911.213	916.418	6.153	796.553	802.706
1.1.3 Money Market Placements		-	-	-	-	-	-
1.1.4 Expected Credit Losses (-)	(4)	174	-	174	834	-	834
1.2 Financial Assets Measured At Fair Value Through Profit/Loss		-	-	-	-	-	-
1.2.1 Government Securities		-	-	-	-	-	-
1.2.2 Equity Securities		-	-	-	-	-	-
1.2.3 Other Financial Assets		-	-	-	-	-	-
1.3 Financial Assets Measured at Fair Value Through Other Comprehensive Income	(3)	2.085.220	301.717	2.386.937	1.183.358	121.017	1.304.375
1.3.1 Government Securities		-	-	-	-	-	-
1.3.2 Equity Securities		7.672	-	7.672	4.910	-	4.910
1.3.3 Other Financial Assets		2.077.548	301.717	2.379.265	1.178.448	121.017	1.299.465
1.4 Derivative Financial Assets	(5)	27	17.469	17.496	13	9.549	9.562
1.4.1 Derivative Financial Assets Measured at FVTPL		27	17.469	17.496	13	9.549	9.562
1.4.2 Derivative Financial Assets Measured at FVOCI		-	-	-	-	-	-
II. FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		18.004.119	11.534.815	29.538.934	13.535.130	7.346.099	20.881.229
2.1 Loans	(6)	17.045.982	8.862.682	25.908.664	12.274.161	4.969.829	17.243.990
2.2 Lease Receivables		1.531.983	2.124.383	3.656.366	1.772.369	2.376.270	4.148.639
2.3 Measured at Amortized Cost	(7)	-	547.750	547.750	-	-	-
2.3.1 Government Securities		-	547.750	547.750	-	-	-
2.3.2 Other Financial Assets		-	-	-	-	-	-
2.4 Expected Credit Losses (-)		573.846	-	573.846	511.400	-	511.400
III. ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	104.069	-	104.069	5.222	-	5.222
3.1 Asset Held for Sale		104.069	-	104.069	5.222	-	5.222
3.2 Assets of Discontinued Operations		-	-	-	-	-	-
IV. INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	100	-	100	46.878	-	46.878
4.1 Associates (Net)		-	-	-	46.778	-	46.778
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Unconsolidated Associates		-	-	-	46.778	-	46.778
4.2 Subsidiaries (Net)		100	-	100	100	-	100
4.2.1 Unconsolidated Financial Investments in Subsidiaries		100	-	100	100	-	100
4.2.2 Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Unconsolidated Joint-Ventures		-	-	-	-	-	-
V. TANGIBLE ASSETS (NET)	(10)	157.597	-	157.597	52.659	-	52.659
VI. INTANGIBLE ASSETS (Net)	(11)	120.641	-	120.641	81.172	-	81.172
6.1 Goodwill		-	-	-	-	-	-
6.2 Other		120.641	-	120.641	81.172	-	81.172
VII. INVESTMENT PROPERTY (NET)	(12)	-	-	-	-	-	-
VIII. CURRENT TAX ASSET	(13)	-	-	-	-	-	-
IX. DEFERRED TAX ASSETS	(14)	42.153	-	42.153	54.954	-	54.954
X. OTHER ASSETS	(15)	148.037	65.527	213.564	215.275	16.845	232.120
TOTAL ASSETS		20.767.133	15.625.041	36.392.174	15.513.790	9.963.566	25.477.356

(*) Reorganization effects disclosed in section three footnote III.

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

ZİRAAT KATILIM BANKASI A.Ş.
UNCONSOLIDATED BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AS OF 31 DECEMBER 2019

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

	Note (V)	Audited Current period (31/12/2019)			Audited Revised ^(C) Prior period (31/12/2018)		
		TL	FC	Total	TL	FC	Total
LIABILITIES AND SHAREHOLDERS' EQUITY							
I. FUNDS COLLECTED	(1)	13.032.205	12.425.040	25.457.245	8.248.548	6.902.550	15.151.098
II. FUNDS BORROWED	(2)	2.857.534	3.121.136	5.978.670	1.791.870	4.219.555	6.011.425
III. MONEY MARKET DEBTS	(3)	19.135	-	19.135	864.414	-	864.414
IV. SECURITIES ISSUED (Net)	(4)	-	-	-	179.895	-	179.895
V. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL LIABILITIES	(6)	19	12.460	12.479	-	6.145	6.145
6.1 Derivative Financial Liabilities at Fair Value Through Profit or Loss		19	12.460	12.479	-	6.145	6.145
6.2 Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
VII. LEASE PAYABLES	(7)	97.792	12.267	110.059	-	415	415
VIII. PROVISIONS	(8)	189.634	45.645	235.279	119.617	14.016	133.633
8.1 Restructuring Provisions		-	-	-	-	-	-
8.2 Reserve for Employee Benefits		35.712	-	35.712	23.254	-	23.254
8.3 Insurance Technical Provisions (Net)		-	-	-	-	-	-
8.4 Other Provisions		153.922	45.645	199.567	96.363	14.016	110.379
IX. CURRENT TAX LIABILITY	(9)	122.393	-	122.393	43.772	-	43.772
X. DEFERRED TAX LIABILITY	(10)	-	-	-	-	-	-
XI. LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-	-	-	-
11.1 Held for Sale Purpose		-	-	-	-	-	-
11.2 Related to Discontinued Operations		-	-	-	-	-	-
XII. SUBORDINATED DEBT INSTRUMENTS	(12)	312.351	537.338	849.689	-	-	-
12.1 Loans		312.351	537.338	849.689	-	-	-
12.2 Other Debt Instruments		-	-	-	-	-	-
XIII. OTHER LIABILITIES	(13)	363.592	76.805	440.397	462.876	78.786	541.662
XIV. SHAREHOLDERS' EQUITY	(14)	3.166.186	642	3.166.828	2.544.592	305	2.544.897
14.1 Paid-in capital		1.750.000	-	1.750.000	1.750.000	-	1.750.000
14.2 Capital Reserves		261.513	-	261.513	250.000	-	250.000
14.2.1 Share Premium		-	-	-	-	-	-
14.2.2 Share Cancellation Profits		-	-	-	-	-	-
14.2.3 Other Capital Reserve		261.513	-	261.513	250.000	-	250.000
14.3 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(2.365)	-	(2.365)	(2.408)	-	(2.408)
14.4 Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		56.429	642	57.071	(36.874)	305	(36.569)
14.5 Profit Reserves		555.646	-	555.646	232.981	-	232.981
14.5.1 Legal Reserves		35.234	-	35.234	17.930	-	17.930
14.5.2 Status Reserves		-	-	-	-	-	-
14.5.3 Extraordinary Reserves		488.002	-	488.002	204.675	-	204.675
14.5.4 Other Profit Reserves		32.410	-	32.410	10.376	-	10.376
14.6 Profit or (Loss)		544.963	-	544.963	350.893	-	350.893
14.6.1 Prior Period Profit/Loss		28.228	-	28.228	25.660	-	25.660
14.6.2 Current Period Profit/Loss		516.735	-	516.735	325.233	-	325.233
TOTAL LIABILITIES AND EQUITY		20.160.841	16.231.333	36.392.174	14.255.584	11.221.772	25.477.356

^(C) Reorganization effects disclosed in section three footnote III.

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

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2019**

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

		Thousands of Turkish lira						
		Note (V)	Audited Current Period (31/12/2019)			Audited Revised ^(*) Prior Period (31/12/2018)		
			TL	FC	Total	TL	FC	Total
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)		(I)	5.266.395	9.101.213	14.367.608	4.369.125	8.904.033	13.273.158
I.	GUARANTEES AND WARRANTIES		4.926.966	6.401.171	11.328.137	4.070.241	6.213.201	10.283.442
1.1	Letters of Guarantee		4.892.685	4.488.870	9.381.555	4.058.895	4.581.471	8.640.366
1.1.1	Guarantees Subject to State Tender Law		119.125	1.304.053	1.423.178	263.507	1.436.775	1.700.282
1.1.2	Guarantees Given for Foreign Trade Operations		4.559.726	-	4.559.726	3.622.754	-	3.622.754
1.1.3	Other Letters of Guarantee		213.834	3.184.817	3.398.651	172.634	3.144.696	3.317.330
1.2	Bank Acceptances		-	18.753	18.753	-	3.591	3.591
1.2.1	Import Letter of Acceptance		-	18.753	18.753	-	3.591	3.591
1.2.2	Other Bank Acceptances		-	-	-	-	-	-
1.3	Letters of Credit		29.071	954.074	983.145	5.584	611.224	616.808
1.3.1	Documentary Letters of Credit		29.071	954.074	983.145	5.584	611.224	616.808
1.3.2	Other Letters of Credit		-	-	-	-	-	-
1.4	Prefinancing Given as Guarantee		-	-	-	-	-	-
1.5	Endorsements		-	-	-	-	-	-
1.5.1	Endorsements to the Central Bank of the Republic of Turkey		-	-	-	-	-	-
1.5.2	Other Endorsements		-	-	-	-	-	-
1.6	Other Guarantees		-	939.474	939.474	-	1.010.273	1.010.273
1.7	Other Collaterals		5.210	-	5.210	5.762	6.642	12.404
II.	COMMITMENTS	(I)	334.484	65.749	400.233	298.884	59.931	358.815
2.1	Irrevocable Commitments		334.484	65.749	400.233	298.884	59.931	358.815
2.1.1	Forward asset purchase commitments		42.995	65.749	108.744	28.133	59.931	88.064
2.1.2	Share Capital Commitments to Associates and Subsidiaries		-	-	-	-	-	-
2.1.3	Loan Granting Commitments		-	-	-	-	-	-
2.1.4	Securities Issue Brokerage Commitments		-	-	-	-	-	-
2.1.5	Commitments for Reserve Deposit Requirements		-	-	-	-	-	-
2.1.6	Payment commitment for checks		157.323	-	157.323	102.994	-	102.994
2.1.7	Tax and Fund Liabilities from Export Commitments		11.509	-	11.509	6.925	-	6.925
2.1.8	Commitments for Credit Card Limits		-	-	-	-	-	-
2.1.9	Commitments for Credit Cards and Banking Services Promotions		-	-	-	-	-	-
2.1.10	Receivables from Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.11	Payables for Short Sale Commitments of Marketable Securities		-	-	-	-	-	-
2.1.12	Other Irrevocable Commitments		122.657	-	122.657	160.832	-	160.832

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

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF OFF-BALANCE SHEET COMMITMENTS
AS OF 31 DECEMBER 2019**

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

		Thousands of Turkish lira						
		Note (V)	Audited Current Period (31/12/2019)			Audited Revised ^(*) Prior Period (31/12/2018)		
			TL	FC	Total	TL	FC	Total
2.2.1	Revocable Loan Granting Commitments	-	-	-	-	-	-	-
2.2.2	Other Revocable Commitments	-	-	-	-	-	-	-
III.	DERIVATIVE FINANCIAL INSTRUMENTS		4.945	2.634.293	2.639.238	-	2.630.901	2.630.901
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	4.945	2.634.293	2.639.238	-	2.630.901	2.630.901	
3.2.1	Forward Foreign Currency Buy/Sell Transactions	4.945	2.634.293	2.639.238	-	2.630.901	2.630.901	
3.2.1.1	Forward Foreign Currency Transactions-Buy	4.945	1.317.991	1.322.936	-	1.321.437	1.321.437	
3.2.1.2	Forward Foreign Currency Transactions-Sell	-	1.316.302	1.316.302	-	1.309.464	1.309.464	
3.2.2	Other Forward Buy/Sell Transaction	-	-	-	-	-	-	
3.3	Other	-	-	-	-	-	-	
B.	CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		30.357.632	4.147.848	34.505.480	19.380.896	2.390.013	21.770.909
IV.	ITEMS HELD IN CUSTODY		4.972.403	1.315.878	6.288.281	1.322.027	752.222	2.074.249
4.1	Customer Fund and Portfolio Balances	-	-	-	-	-	-	-
4.2	Investment Securities Held in Custody	4.448.877	-	4.448.877	919.760	-	919.760	
4.3	Checks Received for Collection	438.873	95.040	533.913	361.417	61.070	422.487	
4.4	Commercial Notes Received for Collection	55.181	13.204	68.385	39.613	2.604	42.217	
4.5	Other Assets Received for Collection	-	-	-	-	-	-	
4.6	Assets Received for Public Offering	-	-	-	-	-	-	
4.7	Other Items Under Custody	29.472	347.982	377.454	1.237	297.828	299.065	
4.8	Custodians	-	859.652	859.652	-	390.720	390.720	
V.	PLEDGES RECEIVED		25.385.229	2.831.970	28.217.199	18.058.869	1.637.791	19.696.660
5.1	Marketable Securities	907.668	150.109	1.057.777	919.767	442.154	1.361.921	
5.2	Guarantee Notes	1.138.470	177.775	1.316.245	1.204.313	156.295	1.360.608	
5.3	Commodity	1.493.748	544.166	2.037.914	1.286.488	367.493	1.653.981	
5.4	Warranty	-	-	-	-	-	-	
5.5	Properties	17.783.352	1.032.354	18.815.706	12.115.418	105.561	12.220.979	
5.6	Other Pledged Items	4.061.991	927.566	4.989.557	2.532.883	566.288	3.099.171	
5.7	Pledged Items-Depository	-	-	-	-	-	-	
VI.	ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-	-	-	-
	TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		35.624.027	13.249.061	48.873.088	23.750.021	11.294.046	35.044.067

(*) Reorganization effects disclosed in section three footnote III.

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

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	Note	Audited Current Period 01/01-31/12/2019	Audited Revised ^(*) Prior Period 01/01-31/12/2018
INCOME/EXPENSE ITEMS			
I. PROFIT SHARE INCOME	(1)	3.594.457	2.328.382
1.1 Profit Share on Loans		2.894.603	1.853.991
1.2 Profit Share on Reserve Deposits		39.137	37.081
1.3 Profit Share on Banks		574	7.039
1.4 Profit Share on Money Market Placements		-	-
1.5 Profit Share on Marketable Securities Portfolio		245.733	136.942
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		16.716	-
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		229.017	136.942
1.5.3 Financial Assets Measured at Amortised Cost		-	-
1.6 Financial Lease Income		380.566	273.277
1.7 Other Profit Share Income		33.844	20.052
II. PROFIT SHARE EXPENSE	(2)	2.225.532	1.462.961
2.1 Expense on Profit Sharing Accounts		1.528.842	1.099.243
2.2 Profit Share Expense on Funds Borrowed		659.132	305.482
2.3 Profit Share Expense on Money Market Borrowings		12.323	24.801
2.4 Expense on Securities Issued		4.604	33.427
2.5 Lease Profit Share Expense		20.545	7
2.6 Other Profit Share Expenses		86	1
III. NET PROFIT SHARE INCOME (I - II)		1.368.925	865.421
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		94.452	77.679
4.1 Fees and Commissions Received		143.325	102.817
4.1.1 Non-cash Loans		114.456	66.607
4.1.2 Other		28.889	36.210
4.2 Fees and commissions paid		48.873	25.138
4.2.1 Non-cash Loans		35	196
4.2.2 Other		48.838	24.942
V. DIVIDEND INCOME	(3)	17.762	923
VI. NET TRADING INCOME	(4)	69.478	53.498
6.1 Capital Market Transaction Gains/Losses		1.566	(2.396)
6.2 Gains/Losses From Derivative Financial Instruments		44.062	66.390
6.3 Foreign Exchange Gains/Losses		23.850	(10.496)
VII. OTHER OPERATING INCOME	(5)	159.008	119.821
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		1.709.625	1.117.342
IX. EXPECTED CREDIT LOSSES (-)	(6)	492.171	346.619
X. OTHER PROVISIONS (-)		87.244	50.036
XI. PERSONNEL EXPENSES (-)		183.767	137.857
XII. OTHER OPERATING EXPENSES (-)	(7)	241.143	167.383
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		705.300	415.447
XIV. INCOME RESULTED FROM MERGERS		-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XII+...+XV)	(8)	705.300	415.447
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(188.565)	(90.214)
18.1 Current Tax Provision		(202.224)	(117.048)
18.2 Expense Effect of Deferred Tax (+)		(4.150)	(10.093)
18.3 Income Effect of Deferred Tax (-)		17.809	36.927
XIX. NETOPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	(10)	516.735	325.233
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-
20.1 Income from Assets Held for Sale		-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
20.3 Income from Other Discontinued Operations		-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
21.1 Expenses on Assets Held for Sale		-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
21.3 Expenses from Other Discontinued Operations		-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)		-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-
23.1 Current Tax Charge		-	-
23.2 Expense Effect of Deferred Tax (+)		-	-
23.3 Income Effect of Deferred Tax (-)		-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-
XXV. NET PROFIT/LOSS (XVIII+XXIII)	(11)	516.735	325.233
Earnings per share income/loss (Full TL)		0,2953	0,1858

(*) Reorganization effects disclosed in section three footnote III.

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 YEAR ENDED 31 DECEMBER 2019

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

THOUSANDS OF TURKISH LIRA		
	Current Period 01/01-31/12/2019	Audited Revised Prior Period 01/01-31/12/2018
I.	CURRENT PERIOD PROFIT/LOSS	516.735
II.	OTHER COMPREHENSIVE INCOME	93.683
2.1	Other Income/Expense Items not to be Reclassified to Profit or Loss	43
2.1.1	Revaluation Surplus on Tangible Assets	-
2.1.2	Revaluation Surplus on Intangible Assets	-
2.1.3	Defined Benefit Plans' Actuarial Gains/Losses	52
2.1.4	Other Income/Expense Items not to be Recycled to Profit or Loss	-
2.1.5	Deferred Taxes on Other Comprehensive Income not to be Recycled to Profit or Loss	(9)
2.2	Other Income/Expense Items to be Recycled to Profit or Loss	93.640
2.2.1	Translation Differences	-
2.2.2	Income/Expenses from Valuation and/or Reclassification of Financial Assets Measured at FVOCI	120.051
2.2.3	Gains/losses from Cash Flow Hedges	-
2.2.4	Gains/Losses on Hedges of Net Investments in Foreign Operations	-
2.2.5	Other Income/Expense Items to be Recycled to Profit or Loss	-
2.2.6	Deferred Taxes on Other Comprehensive Income to be Recycled to Profit or Loss	(26.411)
III.	TOTAL COMPREHENSIVE INCOME (I+II)	610.418

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

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY	Paid-in capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Other Accumulated Comprehensive Income or Expense that will not be Reclassified in Profit and Loss		
					Accumulated Revaluation Increase/ Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
Prior Year							
1 January - 31.12.2018							
I. Prior Period End Balance	1.250.000	-	-	-	-	(471)	-
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-
2.1 Effects of Corrections	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.250.000	-	-	-	-	(471)	-
IV. Total Comprehensive Income	-	-	-	-	-	(1.937)	-
V. Capital Increase by Cash	500.000	-	-	-	-	-	-
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 (*)	-	-	-	250.000	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-
Period End Balance (III+IV.....+X+XI)	1.750.000	-	-	250.000	-	(2.408)	-
Current Period							
31.12.2019							
I. Prior Period End Balance	1.750.000	-	-	250.000	-	(2.408)	-
II. Adjustments in Accordance with TAS 8	-	-	-	-	-	-	-
2.1 Effect of Correction of Errors	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)	1.750.000	-	-	250.000	-	(2.408)	-
IV. Total Comprehensive Income	-	-	-	-	-	43	-
V. Capital Increase by Cash	-	-	-	-	-	-	-
VI. Capital Increase by Internal Sources	-	-	-	-	-	-	-
VII. Paid-in Capital Inflation Adjustment Difference	-	-	-	-	-	-	-
VIII. Convertible Bonds	-	-	-	-	-	-	-
IX. Subordinated Debt Instruments	-	-	-	-	-	-	-
X. Increase/decrease by other Changes (**)	-	-	-	11.513	-	-	-
XI. Profit Distribution	-	-	-	-	-	-	-
11.1 Dividends Paid	-	-	-	-	-	-	-
11.2 Transfers to Reserves	-	-	-	-	-	-	-
11.3 Other	-	-	-	-	-	-	-
Period end Balance (III+IV.....+X+XI)	1.750.000	-	-	261.513	-	(2.365)	-

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

(**) Includes fair value of initial recognition effects amounting to TL 11.513 of subordinated loan provided by the Bank from Turkey Wealth Funds Market Stability and Equalization Fund in the scope of additional main capital amounting to EUR 100.000 without demand and profit share and financial assets measured at amortized cost, which are provided on 24 April 2019, approved by BRSA dated 22 April 2019.

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

Other Accumulated Comprehensive Income that will be Reclassified in Profit and Loss							
Foreign Currency Translation Differences	Accumulated Revaluation and/or Remeasurement Gain/Loss of the Financial Assets at Fair Value Through Other Comprehensive Income	Other (Cash Flow Hedge Gain/Loss, Shares of Investments Valued by Equity Method in Other Comprehensive Income Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Reclassified Through Other Profit or Loss)	Profit Reserves	Prior Period Profit or (Loss)	Current Period Profit or Loss	Total Shareholders' Equity	
-	(15.383)	-	9.691	158.902	-	1.402.739	
-	-	-	-	25.660	-	25.660	
-	-	-	-	-	-	-	
-	-	-	-	25.660	-	25.660	
-	(15.383)	-	9.691	184.562	-	1.428.399	
-	(21.186)	-	-	-	325.233	302.110	
-	-	-	-	-	-	500.000	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	74.388	-	-	324.388	
-	-	-	148.902	(158.902)	-	(10.000)	
-	-	-	-	(10.000)	-	(10.000)	
-	-	-	-	-	-	-	
-	-	-	148.902	(148.902)	-	-	
-	(36.569)	-	232.981	25.660	325.233	2.544.897	
-	(36.569)	-	232.981	350.893	-	2.544.897	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	(36.569)	-	232.981	350.893	-	2.544.897	
-	93.640	-	-	-	516.735	610.418	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	322.665	(322.665)	-	-	
-	-	-	-	-	-	-	
-	-	-	322.665	(322.665)	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	11.513	
-	-	-	322.665	(322.665)	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	57.071	-	555.646	28.228	516.735	3.166.828	

ZİRAAT KATILIM BANKASI A.Ş.

**UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	Note (VI)	Current Period 01/01/2019 - 31/12/2019	Audited Revised (*) Prior Period 01/01/2018 - 31/12/2018
A. CASH FLOWS FROM BANKING OPERATIONS			
1.1 Operating profit before changes in operating assets and liabilities)		293.549	252.142
1.1.1 Profit Share Income Received		3.309.050	1.917.410
1.1.2 Profit Share Expense Paid		(2.110.916)	(1.035.526)
1.1.3 Dividend Received		17.762	923
1.1.4 Fees and Commissions Received		94.452	102.817
1.1.5 Other Income		11.871	53.179
1.1.6 Collections from Previously Written-off Loans		104.655	19.317
1.1.7 Payments to Personnel and Service Suppliers		(197.083)	(11.058)
1.1.8 Taxes Paid		(187.674)	33.590
1.1.9 Others (*)		(748.568)	(828.510)
1.2 Changes in Operating Assets and Liabilities		796.115	228.352
1.2.1 Net (Increase)/Decrease in Financial Assets at Fair Value Through Profit or Loss		(15.541)	(9.941)
1.2.2 Net (Increase)/Decrease in Due From Banks And Other Financial Institutions		(766.835)	(322.368)
1.2.3 Net (Increase)/Decrease in Loans		(4.890.063)	(4.849.429)
1.2.4 Net (Increase)/Decrease in Other Assets		812.165	(206.075)
1.2.5 Net Increase/(Decrease) in Bank Funds		10.306	9.805
1.2.6 Net Increase/(Decrease) in Other Funds		10.309.851	5.044.294
1.2.7 Net Increase/Decrease in Financial Liabilities at Fair Value Through Profit or Loss		-	-
1.2.8 Net Increase/(Decrease) in Funds Borrowed		(3.828.707)	(3.302.184)
1.2.9 Net Increase/(Decrease) in Payables		-	-
1.2.10 Net Increase/(Decrease) in Other Liabilities (*)		(835.061)	3.864.250
I. Net Cash Provided from Banking Operations		1.089.664	480.494
B. CASH FLOWS FROM INVESTING ACTIVITIES			
II. Net Cash Provided from Investing Activities		(2.876.710)	(879.275)
2.1 Cash Paid For Purchase Jointly Controlled Operations, Associates And Subsidiaries		-	(46.778)
2.2 Cash Obtained from Sale of Jointly Controlled Operations, Associates and Subsidiaries		46.778	-
2.3 Purchases of Tangible Assets		(64.867)	(73.675)
2.4 Disposals of Tangible Assets		-	-
2.5 Purchase of Financial Assets at Fair Value Through Other Comprehensive Income		(2.314.864)	(758.822)
2.6 Sale of Financial Assets at Fair Value Through Other Comprehensive Income		-	-
2.7 Purchase of Financial Assets Measured at Amortized Cost		(542.494)	-
2.8 Sale of Financial Assets Measured at Amortized Cost		-	-
2.9 Other		(1.263)	-
C. CASH FLOWS FROM FINANCING ACTIVITIES			
III. Net Cash Provided from Financing Activities		1.495.332	654.155
3.1 Cash Obtained from Funds Borrowed And Securities Issued		8.825.414	3.454.000
3.2 Cash Used For Repayment of Funds Borrowed And Securities Issued		(7.322.598)	(2.777.402)
3.3 Issued Equity Instruments		13.921	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		(43.744)	(28.279)
3.6 Other		22.339	5.836
IV. Effect Of Change In Foreign Exchange Rate On Cash And Cash Equivalents		195.076	303.391
V. Net Increase/(Decrease) In Cash And Cash Equivalents (I+II+III+IV)		(96.638)	558.765
VI. Cash And Cash Equivalents At The Beginning Of The Period		1.160.567	601.802
VII. Cash And Cash Equivalents At The End Of The Period		1.063.929	1.160.567

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

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

ZİRAAT KATILIM BANKASI A.Ş.
UNCONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Current Period (*) (31/12/2019)	Prior Period (*) (31/12/2018)
I. DISTRIBUTION OF THE CURRENT YEAR INCOME		
1.1 Current Year Income (Loss)	705.300	414.549
1.2 Taxes and Duties Payable (-) ⁽³⁾	202.224	113.918
1.2.1 Corporate Tax (Income Tax)	202.224	113.918
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties	-	-
A. NET INCOME FOR THE YEAR (1.1-1.2)	503.076	300.631
1.3 Prior Year Losses (-)	-	-
1.4 First Legal Reserves (-)	-	15.031
1.5 Other Statutory Reserves (-)	-	-
B. NET INCOME AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	503.076	285.600
1.6 First Dividend to Shareholders (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Preferred Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 Dividends to Personnel (-)	-	-
1.8 Dividends to Board of Directors (-)	-	-
1.9 Second Dividend to Shareholders (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Preferred Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 Second Legal Reserves (-)	-	-
1.11 Statutory Reserves (-)	-	-
1.12 Extraordinary Reserves	-	285.600
1.13 Other Reserves	-	-
1.14 Special Funds	-	-
II. DISTRIBUTION OF RESERVES		
2.1 Appropriated Reserves	-	-
2.2 Second Legal Reserves (-)	-	-
2.3 Dividends to Shareholders (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Preferred Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 Dividends to Personnel (-)	-	-
2.5 Dividends to Board of Directors (-)	-	-
III. EARNINGS PER SHARE		
3.1 To Owners of Ordinary Shares	0,2953	0,2432
3.2 To Owners of Ordinary Shares (%)	29,5277	24,3206
3.3 To Owners of Privileged Shares	-	-
3.4 To Owners of Privileged Shares (%)	-	-
IV. DIVIDEND PER SHARE		
4.1 To Owners of Ordinary Shares	-	-
4.2 To Owners of Ordinary Shares (%)	-	-
4.3 To Owners of Privileged Shares	-	-
4.4 To Owners of Privileged Shares (%)	-	-

(*) Profit distribution is realized by the decision of the Bank's General Assembly and the Ordinary General Assembly Meeting for 2019 has not been held as of the date of the financial statements. Profit distribution is made according to the unconsolidated financial statements of the Bank.

(**) Deferred tax related to current year, amount of TL 13.659 is not subject to profit distribution.

(***) According to the Ordinary General Assembly decision dated June 11, 2019, TL 285.600 remaining after the distributable net profit of the period for 2018 was left as extraordinary reserve.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. EXPLANATIONS ON BASIS OF PRESENTATION

The Bank prepares the financial statements in accordance with “the BRSA Accounting and Reporting Regulation” which includes the regulation on “The Procedures and Principles Regarding Banks’ Accounting Practices and Maintaining Documents” published in the Official Gazette dated 1 November 2006 with No. 26333, and other regulations on accounting records of banks published by the Banking Regulation and Supervision Board and circulars and pronouncements published by the BRSA and Turkish Financial Reporting Standards “TFRS” published by the Public Oversight Accounting and Auditing Standards Authority for the matters not regulated by the aforementioned legislations.

The format and content of the publicly announced 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. Judgments and estimates are explained in related notes.

Additional paragraph for convenience translation into English:

The differences between accounting principles, as described in the preceding paragraphs and accounting principles generally accepted in countries in which the accompanying 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

TFRS 16 Leases

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

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

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting applications are almost the same. This standard is applied with modified retrospective approach recognizing the cumulative effect of initially applying the standard at the date of initial application. In this context, comparative information is not restated.

A lease liability and a right-of-use asset is recognized at the date of initial application for leases previously classified as an operating lease applying TAS 17. That lease liability is measured at the present value of the remaining lease payments, discounted using the Bank’s alternative borrowing rate at the date of initial application. Besides, that right-of-use asset is measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before the date of initial application.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

The effects of application of TFRS 16

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

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

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

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

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

Accounting for business combinations under common control

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

1. The acquirer recognizes the assets and liabilities of the acquirer into the financial statements at their carrying amounts determined in accordance with TFRS at the date of merger.
2. The acquirer measures the value of the non-controlling interests, if any, at the date of the merger over the proportional share of the carrying values of the assets and liabilities to which they relate. Changes in non-controlling interests arising from the merger are accounted for as equity transactions in accordance with TFRS 10 Consolidated Financial Statements.
3. Costs arising from the merger are recognized directly in profit or loss.
4. Goodwill does not exist in business combinations under common control.
5. The principles set forth in Articles 6 and 7 are applied in order to eliminate any possible asset - liability mismatch arising from a business combination subject to common control.
6. When the merger is recognized in ways other than a share exchange (e.g. when the merger occurs by cash payment or without paying any price):

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

- (a) If the carrying amount of the acquired net assets exceeds the transferred value, the difference is recognized as the additional capital of the shareholders and the value of the Share Premium item is increased.
 - (b) If the transferred amount exceeds the carrying amount of the acquired net assets at the date of the merger, the difference is reflected in the “a Combination of Entities or Business Under Common Control” as an item reducing the equity.
TFRS 3 is applied in the calculation of the transferred amount as of the merger date. However, in a merger subject to progressive joint control, the acquirer measures the equity shares in the acquired acquisitions over the book value at the beginning of the comparative period. However, equity shares acquired on a comparative date are measured at the purchase price. The acquirer eliminates the income or expenses that are reflected to the financial statements in relation to these shares in the period between these dates and the merger date.
7. When the merger is realized through share exchange:
 - (a) The shares issued by the acquirer are included in the financial statements at their nominal values. Therefore, any share premiums related to these shares are not reflected in the financial statements.
 - (b) The difference found by subtracting the nominal value of the shares issued by the acquirer from the book value of the acquired net assets of the merger on the date of merger is reflected to the “Effect of Mergers Including Joint Controlled Entity or Entities”.
 8. When the merger is recognized partly through the exchange of shares and partly through the payment of other payments, the percentage of the acquired business is determined on the basis of the fair values of the issued shares and other amounts transferred and the clauses of Article 6 and 7 is applied accordingly.
 9. The financial statements of the comparative period are restated as if the merger is recognized at the beginning of the period.
 10. In the event that the subsidiary acquired as a result of a business combination subject to joint control is subsequently lost, the relevant clauses of TFRS 10 Consolidated Financial Statements are applied. When there is an amount recorded in the “a Combination of Entities or Business Under Common Control”, the amount is transferred to “Retained Earnings/Losses” and explained in the disclosures. The entity also discloses the gain or loss arising from the loss of control of the subsidiary in the statement of profit or loss and other comprehensive income in a separate item (Gains/Losses from the disposal of a subsidiary subject to joint control).

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

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

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

This merger is evaluated as “Business Combinations Under Common Control” within the scope of the POA No. 2018-1 “Implementation of Resolution for the Turkish Accounting Principles” and pooling of interest method is applied. In this context, 31 December 2018 financial statements, profit or loss statements, other comprehensive income statements, changes in equity and cash flow statements were rearranged.

The effects of the regulations and classifications described above are presented below.

ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2019

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

			Audited Prior Period (31/12/2018)	Elimination Effects Included Ziraat Finansal Kiralama A.Ş. Merging Effect (31/12/2018)	Revised Prior Period (31/12/2018)
ASSETS					
I.	FINANCIAL ASSETS (NET)		4.098.568	24.554	4.123.122
1.1	Cash And Cash Equivalents		2.794.150	15.035	2.809.185
1.1.1	Cash And Balances With Central Bank	(1)	2.007.313	-	2.007.313
1.1.2	Banks	(2)	787.671	15.035	802.706
1.1.3	Money Market Placements		-	-	-
1.1.4	Expected Credit Losses (-)	(4)	834	-	834
1.2	Financial Assets Measured At Fair Value Through Profit/Loss		-	-	-
1.2.1	Government Securities		-	-	-
1.2.2	Equity Securities		-	-	-
1.2.3	Other Financial Assets		-	-	-
1.3	Financial Assets Measured at Fair Value Through Other Comprehensive Income	(3)	1.304.362	13	1.304.375
1.3.1	Government Securities		-	-	-
1.3.2	Equity Securities		4.897	13	4.910
1.3.3	Other Financial Assets		1.299.465	-	1.299.465
1.4	Derivative Financial Assets	(5)	56	9.506	9.562
1.4.1	Derivative Financial Assets Measured at FVTPL		56	9.506	9.562
1.4.2	Derivative Financial Assets Measured at FVOCI		-	-	-
II.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		17.739.084	3.142.145	20.881.229
2.1	Loans	(6)	17.243.990	-	17.243.990
2.2	Lease Receivables		703.834	3.444.805	4.148.639
2.3	Measured at Amortized Cost	(7)	-	-	-
2.3.1	Government Securities		-	-	-
2.3.2	Other Financial Assets		-	-	-
2.4	Expected Credit Losses (-)		208.740	302.660	511.400
III.	ASSETS HELD FOR SALE AND ASSETS OF DISCONTINUED OPERATIONS (Net)	(8)	4.259	963	5.222
3.1	Asset Held for Sale		4.259	963	5.222
3.2	Assets of Discontinued Operations		-	-	-
IV.	INVESTMENTS IN ASSOCIATES SUBSIDIARIES AND JOINT VENTURES	(9)	100	46.778	46.878
4.1	Associates (Net)		-	46.778	46.778
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-
4.1.2	Unconsolidated Associates		-	46.778	46.778
4.2	Subsidiaries (Net)		100	-	100
4.2.1	Unconsolidated Financial Investments in Subsidiaries		100	-	100
4.2.2	Unconsolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3	Joint Ventures (Net)		-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2	Unconsolidated Joint-Ventures		-	-	-
V.	TANGIBLE ASSETS (NET)	(10)	52.116	543	52.659
VI.	INTANGIBLE ASSETS (Net)	(11)	80.396	776	81.172
6.1	Goodwill		-	-	-
6.2	Other		80.396	776	81.172
VII.	INVESTMENT PROPERTY (NET)	(12)	-	-	-
VIII.	CURRENT TAX ASSET	(13)	-	-	-
IX.	DEFERRED TAX ASSETS	(14)	49.870	5.084	54.954
X.	OTHER ASSETS	(15)	164.410	67.710	232.120
	TOTAL ASSETS		22.188.803	3.288.553	25.477.356

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			Audited Prior Period (31/12/2018)	Elimination Effects Included Ziraat Finansal Kiralama A.Ş. Merging Effect (31/12/2018)	Revised Prior Period (31/12/2018)
LIABILITIES AND SHAREHOLDERS' EQUITY					
I.	FUNDS COLLECTED	(1)	15.151.098	-	15.151.098
II.	FUNDS BORROWED	(2)	3.361.874	2.649.551	6.011.425
III.	MONEY MARKET DEBTS	(3)	864.414	-	864.414
IV.	SECURITIES ISSUED (Net)	(4)	-	179.895	179.895
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	(5)	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	(6)	6.145	-	6.145
6.1	Derivative Financial Liabilities at Fair Value Through Profit or Loss		6.145	-	6.145
6.2	Derivative Financial Liabilities at Fair Value Through Other Comprehensive Income		-	-	-
VII.	LEASE PAYABLES	(7)	415	-	415
VIII.	PROVISIONS	(8)	131.964	1.669	133.633
8.1	Restructuring Provisions		-	-	-
8.2	Reserve for Employee Benefits		21.640	1.614	23.254
8.3	Insurance Technical Provisions (Net)		-	-	-
8.4	Other Provisions		110.324	55	110.379
IX.	CURRENT TAX LIABILITY	(9)	53.974	(10.202)	43.772
X.	DEFERRED TAX LIABILITY	(10)	-	-	-
XI.	LIABILITIES FROM PROPERTY AND EQUIPMENT HELD FOR SALE AND RELATED TO DISCONTINUED OPERATIONS (Net)	(11)	-	-	-
11.1	Held for Sale Purpose		-	-	-
11.2	Related to Discontinued Operations		-	-	-
XII.	SUBORDINATED DEBT INSTRUMENTS	(12)	-	-	-
12.1	Loans		-	-	-
12.2	Other Debt Instruments		-	-	-
XIII.	OTHER LIABILITIES	(13)	400.335	141.327	541.662
XIV.	SHAREHOLDERS' EQUITY	(14)	2.218.584	326.313	2.544.897
14.1	Paid-in capital		1.750.000	-	1.750.000
14.2	Capital Reserves		-	250.000	250.000
14.2.1	Share Premium		-	-	-
14.2.2	Share Cancellation Profits		-	-	-
14.2.3	Other Capital Reserve		-	250.000	250.000
14.3	Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(1.728)	(680)	(2.408)
14.4	Accumulated Other Comprehensive Income or Loss That will not be Reclassified in Profit or Loss		(36.606)	37	(36.569)
14.5	Profit Reserves		158.593	74.388	232.981
14.5.1	Legal Reserves		9.961	7.969	17.930
14.5.2	Status Reserves		-	-	-
14.5.3	Extraordinary Reserves		138.256	66.419	204.675
14.5.4	Other Profit Reserves		10.376	-	10.376
14.6	Profit or (Loss)		348.325	2.568	350.893
14.6.1	Prior Period Profit/Loss		25.660	-	25.660
14.6.2	Current Period Profit/Loss		322.665	2.568	325.233
TOTAL LIABILITIES AND EQUITY			22.188.803	3.288.553	25.477.356

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	Note	Audited Prior Period (31/12/2018)	Elimination Effects Included Ziraat Finansal Kiralama A.Ş. Merging Effect (31/12/2018)	Revised Prior Period (31/12/2018)
INCOME/EXPENSE ITEMS				
I. PROFIT SHARE INCOME	(1)	2.090.557	237.825	2.328.382
1.1 Profit Share on Loans		1.852.528	1.463	1.853.991
1.2 Profit Share on Reserve Deposits		37.081	-	37.081
1.3 Profit Share on Banks		-	7.039	7.039
1.4 Profit Share on Money Market Placements		-	-	-
1.5 Profit Share on Marketable Securities Portfolio		136.942	-	136.942
1.5.1 Financial Assets Measured at Fair Value Through Profit/Loss		-	-	-
1.5.2 Financial Assets Measured at Fair Value Through Other Comprehensive Income		136.942	-	136.942
1.5.3 Financial Assets Measured at Amortised Cost		-	-	-
1.6 Financial Lease Income		54.581	218.696	273.277
1.7 Other Profit Share Income		9.425	10.627	20.052
II. PROFIT SHARE EXPENSE	(2)	1.319.723	143.238	1.462.961
2.1 Expense on Profit Sharing Accounts		1.099.243	-	1.099.243
2.2 Profit Share Expense on Funds Borrowed		195.671	109.811	305.482
2.3 Profit Share Expense on Money Market Borrowings		24.801	-	24.801
2.4 Expense on Securities Issued		-	33.427	33.427
2.5 Lease Profit Share Expense		7	-	7
2.6 Other Profit Share Expenses		1	-	1
III. NET PROFIT SHARE INCOME (I - II)		770.834	94.587	865.421
IV. NET FEES AND COMMISSIONS INCOME/EXPENSE		60.727	16.952	77.679
4.1 Fees and Commissions Received		84.273	18.544	102.817
4.1.1 Non-cash Loans		66.607	-	66.607
4.1.2 Other		17.666	18.544	36.210
4.2 Fees and commissions paid		23.546	1.592	25.138
4.2.1 Non-cash Loans		42	154	196
4.2.2 Other		23.504	1.438	24.942
V. DIVIDEND INCOME	(3)	177	746	923
VI. NET TRADING INCOME	(4)	57.781	(4.283)	53.498
6.1 Capital Market Transaction Gains/Losses		(2.396)	-	(2.396)
6.2 Gains/Losses From Derivative Financial Instruments		61.368	5.022	66.390
6.3 Foreign Exchange Gains/Losses		(1.191)	(9.305)	(10.496)
VII. OTHER OPERATING INCOME	(5)	80.212	39.609	119.821
VIII. TOTAL OPERATING PROFIT (III+IV+V+VI+VII)		969.731	147.611	1.117.342
IX. EXPECTED CREDIT LOSSES (-)	(6)	221.833	124.786	346.619
X. OTHER PROVISIONS (-)		49.855	181	50.036
XI. PERSONNEL EXPENSES (-)		123.973	13.884	137.857
XII. OTHER OPERATING EXPENSES (-)	(7)	159.521	7.862	167.383
XIII. NET OPERATING PROFIT/LOSS (VIII-IX-X-XI-XII)		414.549	898	415.447
XIV. INCOME RESULTED FROM MERGERS		-	-	-
XV. INCOME/LOSS FROM EQUITY METHOD APPLIED SUBSIDIARIES		-	-	-
XVI. GAIN/LOSS ON NET MONETARY POSITION		-	-	-
XVII. PROFIT/LOSS BEFORE TAX FROM CONTINUED OPERATIONS (XIII+...+XV)	(8)	414.549	898	415.447
XVIII. TAX PROVISION FOR CONTINUED OPERATIONS (±)	(9)	(91.884)	1.670	(90.214)
18.1 Current Tax Provision		(113.918)	(3.130)	(117.048)
18.2 Expense Effect of Deferred Tax (+)		(626)	(9.467)	(10.093)
18.3 Income Effect of Deferred Tax (-)		22.660	14.267	36.927
XIX. NET OPERATING PROFIT/LOSS AFTER TAXES (XVI±XVII)	(10)	322.665	2.568	325.233
XX. INCOME FROM DISCONTINUED OPERATIONS		-	-	-
20.1 Income from Assets Held for Sale		-	-	-
20.2 Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-
20.3 Income from Other Discontinued Operations		-	-	-
XXI. EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-	-
21.1 Expenses on Assets Held for Sale		-	-	-
21.2 Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-	-
21.3 Expenses from Other Discontinued Operations		-	-	-
XXII. PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS (XIX-XX)		-	-	-
XXIII. PROVISION FOR TAXES OF DISCONTINUED OPERATIONS (±)		-	-	-
23.1 Current Tax Charge		-	-	-
23.2 Expense Effect of Deferred Tax (+)		-	-	-
23.3 Income Effect of Deferred Tax (-)		-	-	-
XXIV. NET PROFIT/LOSS FROM DISCONTINUED OPERATIONS (XXI±XXII)		-	-	-
XXV. NET PROFIT/LOSS (XVIII+XXIII)	(11)	322.665	2.568	325.233
Earnings per share income/loss (Full TL)		0,1843	0,0103	0,1858

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	Note (V)	Audited Prior Period (31/12/2018)	Elimination Effects Included Ziraat Finansal Kiralama A.Ş. Merging Effect (31/12/2018)	Revised Prior Period (31/12/2018)
A OFF-BALANCE SHEET COMMITMENTS (I+II+III)	(I)	13.053.227	219.931	13.273.158
I. GUARANTEES AND WARRANTIES		10.283.442	-	10.283.442
1.1 Letters of Guarantee		8.640.366	-	8.640.366
1.1.1 Guarantees Subject to State Tender Law		1.700.282	-	1.700.282
1.1.2 Guarantees Given for Foreign Trade Operations		3.622.754	-	3.622.754
1.1.3 Other Letters of Guarantee		3.317.330	-	3.317.330
1.2 Bank Acceptances		3.591	-	3.591
1.2.1 Import Letter of Acceptance		3.591	-	3.591
1.2.2 Other Bank Acceptances		-	-	-
1.3 Letters of Credit		616.808	-	616.808
1.3.1 Documentary Letters of Credit		616.808	-	616.808
1.3.2 Other Letters of Credit		-	-	-
1.4 Prefinancing Given as Guarantee		-	-	-
1.5 Endorsements		-	-	-
1.5.1 Endorsements to the Central Bank of the Republic of Turkey		-	-	-
1.5.2 Other Endorsements		-	-	-
1.6 Other Guarantees		1.010.273	-	1.010.273
1.7 Other Collaterals		12.404	-	12.404
II. COMMITMENTS	(I)	358.815	-	358.815
2.1 Irrevocable Commitments		358.815	-	358.815
2.1.1 Forward asset purchase commitments		88.064	-	88.064
2.1.2 Share Capital Commitments to Associates and Subsidiaries		-	-	-
2.1.3 Loan Granting Commitments		-	-	-
2.1.4 Securities Issue Brokerage Commitments		-	-	-
2.1.5 Commitments for Reserve Deposit Requirements		-	-	-
2.1.6 Payment commitment for checks		102.994	-	102.994
2.1.7 Tax and Fund Liabilities from Export Commitments		6.925	-	6.925
2.1.8 Commitments for Credit Card Limits		-	-	-
2.1.9 Commitments for Credit Cards and Banking Services Promotions		-	-	-
2.1.10 Receivables from Short Sale Commitments of Marketable Securities		-	-	-
2.1.11 Payables for Short Sale Commitments of Marketable Securities		-	-	-
2.1.12 Other Irrevocable Commitments		160.832	-	160.832
2.2 Revocable Commitments		-	-	-
2.2.1 Revocable Loan Granting Commitments		-	-	-
2.2.2 Other Revocable Commitments		-	-	-
III. DERIVATIVE FINANCIAL INSTRUMENTS		2.410.970	219.931	2.630.901
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		2.410.970	219.931	2.630.901
3.2.1 Forward Foreign Currency Buy/Sell Transactions		2.410.970	219.931	2.630.901
3.2.1.1 Forward Foreign Currency Transactions-Buy		1.204.570	116.867	1.321.437
3.2.1.2 Forward Foreign Currency Transactions-Sell		1.206.400	103.064	1.309.464
3.2.2 Other Forward Buy/Sell Transaction		-	-	-
3.3 Other		-	-	-
B. CUSTODY AND PLEDGES RECEIVED (IV+V+VI)		21.770.909	-	21.770.909
IV. ITEMS HELD IN CUSTODY		2.074.249	-	2.074.249
4.1 Customer Fund and Portfolio Balances		-	-	-
4.2 Investment Securities Held in Custody		919.760	-	919.760
4.3 Checks Received for Collection		422.487	-	422.487
4.4 Commercial Notes Received for Collection		42.217	-	42.217
4.5 Other Assets Received for Collection		-	-	-
4.6 Assets Received for Public Offering		-	-	-
4.7 Other Items Under Custody		299.065	-	299.065
4.8 Custodians		390.720	-	390.720
V. PLEDGES RECEIVED		19.696.660	-	19.696.660
5.1 Marketable Securities		1.361.921	-	1.361.921
5.2 Guarantee Notes		1.360.608	-	1.360.608
5.3 Commodity		1.653.981	-	1.653.981
5.4 Warranty		-	-	-
5.5 Properties		12.220.979	-	12.220.979
5.6 Other Pledged Items		3.099.171	-	3.099.171
5.7 Pledged Items-Depository		-	-	-
VI. ACCEPTED INDEPENDENT GUARANTEES AND WARRANTIES		-	-	-
TOTAL OFF-BALANCE SHEET COMMITMENTS (A+B)		34.824.136	219.931	35.044.067

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IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

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

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

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

V. EXPLANATIONS ON PROFIT SHARE INCOME AND EXPENSE

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

VI. EXPLANATIONS ON FEES AND COMMISSION INCOME AND EXPENSES

Commission income from banking, agency, intermediary services is recognized as income on the date collected. Whereas, commission income from individual, corporate and entrepreneurial cash loans are recognized on an accrual basis by using internal rate of return method and transferred to the income statement in accordance with the matching principle. Other fees and commission expenses are recorded as expense on the date they are paid.

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

VII. EXPLANATIONS ON FINANCIAL ASSETS

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

The Bank 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.

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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.

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

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

c. Financial assets measured at amortized cost:

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit share are classified as financial assets measured at amortized cost.

Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs which reflect the fair value of those instruments and subsequently recognized at amortized cost by using internal rate of return method. Profit share income obtained from financial assets measured at amortized cost is accounted in income statement.

Loans

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

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

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

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

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VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Financial assets at amortized cost

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

Explanations on Expected Loss Provisions

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

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

Impairment

As of 1 January 2018, the Bank recognize provisions for impairment in accordance with TFRS 9 requirements according to the “Regulation on the Procedures and Principles for Classification of Loans by Banks and Provisions to be set aside”. In this framework, as of 31 December 2017, method of provisions for impairment as set out in accordance with the related legislation of BRSA is changed by applying the expected credit loss model under TFRS 9. The expected credit loss model includes instruments that are recorded at amortized cost or at fair value in other comprehensive income tables (such as bank deposits, loans and securities) and, in addition, financial lease receivables, contract assets, credit commitments and financial guarantee contracts.

The guiding principle of the expected credit loss model is to reflect the increase in credit risk of financial instruments or the general view of the recovery. The amount of allowance for the loss depends on the extent of the increase in credit risk since the initial issuance of the loan. Expected credit loss is an estimate of the expected credit losses over the life of a financial instrument also the following aspects are important for the measurement.

- Probability-weighted and neutral amount determined by taking into account possible outcomes,
- Time value of money,
- Reasonable and supportable information on past events, current conditions and forecast of future economic conditions, at the time of reporting, without excessive cost and effort.

These financial assets are divided into three categories depending on the gradual increase in credit risk observed since their initial recognition:

Provision for 12 month expected credit loss (stage 1)

These are the financial assets that do not have a significant increase in credit risk at their initial recognition or after the initial recognition to financial statements. Impairment for credit risk for these assets is recorded in the amount of 12-month expected credit losses. It is valid for all assets unless there is a significant deterioration in the quality of the loan. The expected 12 month loss values (within 12 months after the reporting date or within a shorter period if the life of a financial instrument is shorter than 12 months) are part of the estimation of loss of life expectancy.

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Significant increase in credit risk (stage 2)

In the event of a significant increase in credit risk, the financial asset is transferred to Stage 2.

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

Default (stage 3/special provision)

Includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit losses are recorded.

The Bank assesses that debt is in default in the following two cases:

- Objective Default Definition: Having past due more than 90 days
- Subjective Default Definition: It means that the bank is convinced the debt will not be paid.
In the event that the debtor cannot fulfill the debts related to the loan, the debtor is considered to be in default regardless of the number of delay days.

The collective valuation of financial instruments is based on homogeneous group assets resulting from portfolio segmentation based on similar credit risk and product characteristics. This section presents an overview of the risk parameter estimation methods for the damage assessment approach that is expected on a common basis for each stage.

Credits that differ in cash flows or have different characteristics with other credits may be subject to individual valuation instead of aggregate valuation. An expected credit loss can be defined as the difference between all contractual cash flows that are outstanding under the contract and the original effective dividend and discounted cash flows. When cash flows are estimated, the following situations are considered.

- During the expected life of the financial instrument, all contractual terms of the financial instrument,
- Cash flows expected to be obtained from collateral sales.

In the calculation of the expected credit loss, the basic parameters which are expressed as probability of default, loss in default and default amount are used.

Probability of Default

Probability of default refers to the likelihood that a loan will default at a certain time. In Default Probability models, sectoral information for the corporate portfolio are taken as the basis.

Default Amount

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

Loss Given Default

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

Future Expectations

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

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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.

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 discontinued operations.

As of 31 December 2019, the Bank’s held for sale tangible assets is TL 104.069 (31 December 2018: TL 4.259).

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.

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XIII. EXPLANATIONS ON TANGIBLE ASSETS

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

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

Applied depreciation rates are as follows;

Vehicles and Fixtures:	2% - 25%
Operational Lease Improvement Costs (Leasehold Improvements):	Leasing Period - 5 years

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

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

There is no tangible assets that are held for sale.

XIV. EXPLANATIONS ON LEASING TRANSACTIONS

Operational Leasing Transactions

Transactions as a lessee

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

Right of use;

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

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

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

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

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

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Lease Liabilities

At the date of the effective leasing of the lease, the Parent Bank measures its leasing liability at the present value of the lease payments not paid at the time. Lease payments are discounted using the imputed rate of interest in the lease if they can be easily determined. If this rate cannot be easily determined, the Bank uses the Bank’s alternative borrowing rate. Lease payments that are included in the measurement of the lease liability at the date the lease is commenced consist of the unpaid payments to be made for the right of use during the lease term of the underlying asset and the date on which the lease has actually begun.

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

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

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

XV. EXPLANATIONS ON PROVISIONS 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”.

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

The Bank’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The Bank benefits from independent actuaries on determination of obligation and makes assumptions on discount rate, employee turnover rate, and future raise in salaries. As of 31 December 2019, the Bank’s employee termination benefit is TL 8.662 (31 December 2018: TL 5.056).

Unused vacation liability is calculated based on number of unused vacation days which is calculated by subtracting used vacation days of all personnel from legally deserved vacation days. As of 31 December 2019 unused vacation liability of the Bank is TL 6.050 (31 December 2018: TL 3.584).

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

b. T.C. Ziraat Bankası and T. Halk Bankası employee pension fund foundations (TZHEMSAN) liability

Some of the Bank’s personnel are the members of T.C. Ziraat Bankası and T. Halk Bankası A.Ş. Employees’ Pension Fund (“Fund”) which was established by 20th provisional article of Social Security Law Act numbered 506. Provisional article 23 of the Banking Act No: 5411 requires the Bank’s pension funds founded in the scope of SIA to be transferred to the Social Insurance Institution (SII) within 3 years subsequent to the publishing date of the act. The procedure and essentials for the transfer were determined by the Council of Ministers’ decision dated 30 November 2006 and numbered 2006/11345 and accordingly, both pension fund foundations would have been transferred to SSI. However, with the decree of the Constitutional Court numbered E.2005/139, K.2007/13 and K.2007/33 published in the Official Gazette dated 31 March 2007 and numbered 26479, the first paragraph of the temporary first article of the provisional article 23 of the Banking Act No: 5411 is cancelled and the execution has been ceased starting from the date the decree is published.

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

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

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

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

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

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Based on the Council of Ministers’ decree numbered 2014/6042 and issued in the Official Gazette numbered 28987 dated 30 April 2014, the participants of the funds that were founded for the personnel constituting these entities and the ones having salary or income and the right holders of them to Social Security Institution has been extended for one year.

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

The technical balance sheet report as of 31 December 2019 which is prepared in accordance with the new law and the allowance determined as 9,80%, concluded no technical deficit arises in the above mentioned fund. Since the Bank has no legal right to hold the present value of any economic benefits available in the form of refunds from Pension Fund or reductions in future contributions to Pension Fund, no asset is recognized in the Bank’s financial statements.

XVII. EXPLANATIONS ON TAXATION

a. Current tax

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

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

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

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

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

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

b. Deferred tax

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

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

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

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

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

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

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.

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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.

XXIV. EXPLANATIONS ON OTHER MATTERS

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

SECTION FOUR

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

I. EXPLANATIONS ON SHAREHOLDERS' EQUITY

As of 31 December 2019 current period capital amount of the Bank is TL 3.901.711 (31 December 2018: TL 2.164.939), and capital adequacy standard ratio is 16,58% (31 December 2018: 12,76%).

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Information Related To The Components of Shareholders’ Equity

	Current Period 31.12.2019	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	817.159	
Gains recognized in equity as per TAS	54.706	
Profit	544.963	
Current Period Profit	516.735	
Prior Period Profit	28.228	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Common Equity Tier 1 Capital Before Deductions	3.166.828	
Deductions from Common Equity Tier 1 Capital		
Common Equity as per the 1 st clause of Provisional Article 9 of the Regulation on the Equity of Banks	-	
Portion of the current and prior periods’ losses which cannot be covered through reserves and losses reflected in equity in accordance with TAS	-	
Improvement costs for operating leasing	20.234	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	120.641	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
Differences are not recognized at the fair value of assets and liabilities subject to hedge of cash flow risk	-	
Communiqué Related to Principles of the amount credit risk calculated with the Internal Ratings Based Approach, total expected loss amount exceeds the total provision	-	
Gains arising from securitization transactions	-	
Unrealized gains and losses due to changes in own credit risk on fair valued liabilities	-	
Defined-benefit pension fund net assets	-	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4 th clause of the 56 th 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 2 nd clause of the Provisional Article 2 of the Regulation on the Equity of Banks	-	
Excess amount arising from the net long positions of investments in common equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital	-	
Excess amount arising from mortgage servicing rights	-	
Excess amount arising from deferred tax assets based on temporary differences	-	
Other items to be defined by the BRSA	-	
Deductions to be made from common equity due to insufficient Additional Tier I Capital or Tier II Capital	-	
Total Deductions From Common Equity Tier 1 Capital	140.875	
Total Common Equity Tier 1 Capital	3.025.953	

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	Current Period 31.12.2019	Amounts related to treatment before 1/1/2014 (*)
ADDITIONAL TIER 1 CAPITAL		
Preferred Stock not Included in Common Equity and the Related Share Premiums	-	
Debt instruments and premiums approved by BRSA (**)	519.350	
Debt instruments and premiums approved by BRSA (Temporary Article 4)	-	
Additional Tier I Capital before Deductions	-	
Deductions from Additional Tier I Capital	-	
Direct and indirect investments of the Bank in its own Additional Tier I Capital	-	
Investments of Bank to Banks that invest in Bank's additional equity and components of equity issued by financial institutions with compatible with Article 7.	-	
Total of Net Long Positions of the Investments in Equity Items of Unconsolidated Banks and Financial Institutions where the Bank Owns 10% or less of the Issued Share Capital Exceeding the 10% Threshold of above Tier I Capital	-	
The Total of Net Long Position of the Direct or Indirect Investments in Additional Tier I Capital of Unconsolidated Banks and Financial Institutions where the Bank Owns more than 10% of the Issued Share Capital	-	
Other items to be defined by the BRSA	-	
Transition from the Core Capital to Continue to deduce Components	-	
Goodwill and other intangible assets and related deferred tax liabilities which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Net deferred tax asset/liability which is not deducted from Common Equity Tier 1 capital for the purposes of the sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
Deductions to be made from common equity in the case that adequate Additional Tier I Capital or Tier II Capital is not available (-)	-	
Total Deductions From Additional Tier I Capital	-	
Total Additional Tier I Capital	519.350	
Total Tier I Capital (Tier I Capital=Common Equity+Additional Tier I Capital)	3.545.303	
TIER II CAPITAL		
Debt instruments and share issue premiums deemed suitable by the BRSA (***)	300.000	
Debt instruments and share issue premiums deemed suitable by BRSA (Temporary Article 4)	-	
Provisions (Article 8 of the Regulation on the Equity of Banks)	57.294	
Tier II Capital Before Deductions	357.294	
Deductions From Tier II Capital	-	
Direct and indirect investments of the Bank on its own Tier II Capital (-)	-	
Investments of Bank to Banks that invest on Bank's Tier 2 and components of equity issued by financial institutions with the conditions declared in Article 8.	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank (-)	-	
Portion of the total of net long positions of investments made in Additional Tier I Capital item of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Other items to be defined by the BRSA (-)	-	
Total Deductions from Tier II Capital	-	
Total Tier II Capital	357.294	
Total Capital (The sum of Tier I Capital and Tier II Capital)	3.902.597	

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	Current Period 31.12.2019	Amounts related to treatment before 1/1/2014 ^(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50 th and 51 th 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 (-)	886	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds (-)	-	
TOTAL CAPITAL		
Total Capital ^(**)	3.901.711	
Total risk weighted amounts	23.533.881	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio	12,86	
Tier 1 Capital Adequacy Ratio	15,06	
Capital Adequacy Ratio	16,58	
BUFFERS		
Total additional Common Equity Tier 1 Capital requirement ratio (a+b+c)	2,50	
a) Capital conservation buffer requirement	2,50	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets	8,36	
Amounts below the Excess Limits as per the Deduction Principles		
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	57.294	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	57.294	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt Instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

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

(***) In order to obtain TL 300,000 contribution capital, T.C. Ziraat Bank A.Ş. on March 28, 2019, and this loan was effectively entered into the Bank's accounts on March 29, 2019. The maturity of the loan is 10 (ten) years and the profit share rate is 16.25%. There is no option to convert to stock.

ZİRAAT KATILIM BANKASI A.Ş.

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

	Prior Period 31.12.2018	Amounts related to treatment before 1/1/2014 (*)
COMMON EQUITY TIER 1 CAPITAL		
Paid-in capital following all debts in terms of claim in liquidation of the Bank	1.750.000	
Share issue premiums	-	
Reserves	158.593	
Gains recognized in equity as per TAS	305	
Profit	348.325	
Current Period Profit	322.665	
Prior Period Profit	25.660	
Shares acquired free of charge from subsidiaries, affiliates and jointly controlled partnerships and cannot be recognized within profit for the period	-	
Premiums on sale of share certificates	-	
Common Equity Tier 1 Capital Before Deductions	2.257.223	
Deductions from Common Equity Tier 1 Capital	-	
Common Equity as per the 1 st 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	38.639	
Improvement costs for operating leasing	18.408	
Goodwill (net of related tax liability)	-	
Other intangibles other than mortgage-servicing rights (net of related tax liability)	80.396	
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	1.728	
Direct and indirect investments of the Bank in its own Common Equity	-	
Shares obtained contrary to the 4 th clause of the 56 th Article of the Law	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or less of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of the total of net long positions of investments made in equity items of banks and financial institutions outside the scope of consolidation where the Bank owns 10% or more of the issued common share capital exceeding 10% of Common Equity of the Bank	-	
Portion of mortgage servicing rights exceeding 10% of the Common Equity	-	
Portion of deferred tax assets based on temporary differences exceeding 10% of the Common Equity	-	
Total Deductions From Common Equity Tier 1 Capital	139.171	
Total Common Equity Tier 1 Capital	2.118.052	

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

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

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

	Prior Period 31.12.2018	Amounts related to treatment before 1/1/2014 ^(*)
Total of Original Capital and Supplementary Capital (Total Capital)		
Deductions from Capital Loans granted contrary to the 50 th and 51 st Article of the Law	-	
Net Book Values of Movables and Immovable Exceeding the Limit Defined in the Article 57, Clause 1 of the Banking Law and the Assets Acquired against Overdue Receivables and Held for Sale but Retained more than Five Years	-	
Other items to be defined by the BRSA (-)	1,075	
In transition from Total Core Capital and Supplementary Capital (the capital) to Continue to Download Components		
The Sum of net long positions of investments (the portion which exceeds the 10% of Banks Common Equity) in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the Additional Tier 1 capital and Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity which will not deducted from Common Equity Tier 1 capital, Additional Tier 1 capital, Tier 2 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
The Sum of net long positions of investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity, mortgage servicing rights, deferred tax assets arising from temporary differences which will not deducted from Common Equity Tier 1 capital for the purposes of the first sub-paragraph of the Provisional Article 2 of the Regulation on Banks' Own Funds	-	
TOTAL CAPITAL		
Total Capital	2,164,939	
Total risk weighted amounts	16,782,105	
Capital Adequacy Ratios		
Core Capital Adequacy Ratio (%)	12,62	
Tier 1 Capital Adequacy Ratio (%)	12,62	
Capital Adequacy Ratio (%)	12,76	
BUFFERS		
Bank specific total common equity tier 1 capital ratio (a+b+c)	1,88	
a) Capital conservation buffer requirement	1,88	
b) Bank specific counter-cyclical buffer requirement	0,00	
c) Systemic significant bank buffer ratio	0,00	
The ratio of Additional Common Equity Tier 1 capital which will be calculated by the first paragraph of the Article 4 of Regulation on Capital Conservation and Countercyclical Capital buffers to Risk Weighted Assets (%)	8,12	
Amounts below the Excess Limits as per the Deduction Principles	-	
Portion of the total of net long positions of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of unconsolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation	-	
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	47,962	
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	47,962	
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)	-	
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	

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

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

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

Issuer	Ziraat Katılım Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated/consolidated	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Subordinated Loan
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 300 Million
Par value of instrument	TL 300 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	29.03.2019
Perpetual or dated	Dated
Original maturity date	10 (ten) years
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
Coupons/dividends ^(*)	
Fixed or floating dividend/coupon	Fixed
Coupon rate and any related index	16,25%
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger (s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	-
If write-down, full or partial	-
If write-down, permanent or temporary	-
If temporary write-down, description of write-up mechanism	-
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	It gives the owner the right to be credited before the borrowing instruments to be included in the additional capital calculation, after the depositors and all other creditors.
In compliance with article number 7 and 8 of “Own fund regulation”	Article number 8
Details of incompliances with article number 7 and 8 of “Own fund regulation”	-

(*) Profit share for participation banks.

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

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

Issuer	Ziraat Katılım Bankası A.Ş.
Unique identifier (CUSIP, ISIN etc.)	-
Governing Law(s) of the instrument	Implementing Regulation on Equities of Banks in the Official Gazette dated 5 September 2013
Regulatory treatment	
From 1/1/2015, 10% reduction by being subject to the application	No
Eligible at unconsolidated/consolidated	Unconsolidated/Consolidated
Instrument type (types to be specified by each jurisdiction)	Additional capital
Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	TL 519 Million
Par value of instrument	TL 519 Million
Accounting classification	Liabilities/Subordinated loan
Original date of issuance	24.04.2019
Perpetual or dated	Undated
Original maturity date	24.04.2019
Issuer call subject to prior supervisory approval	Yes
Optional call date, contingent call dates and redemption amount	Option date 5 years, (no conditional refund)
Subsequent call dates, if applicable	-
Coupons/dividends ^(*)	
Fixed or floating dividend/coupon	-
Coupon rate and any related index	-
Existence of a dividend stopper	-
Fully discretionary, partially discretionary or mandatory	-
Existence of step up or other incentive to redeem	-
Noncumulative or cumulative	-
Convertible or non-convertible	
If convertible, conversion trigger(s)	-
If convertible, fully or partially	-
If convertible, conversion rate	-
If convertible, mandatory or optional conversion	-
If convertible, specify instrument type convertible into	-
If convertible, specify issuer of instrument it converts into	-
Write-down feature	
If write-down, write-down trigger(s)	In case the Core Capital adequacy ratio or consolidated Core Capital adequacy ratio falls below 5,125 percent
If write-down, full or partial	Yes
If write-down, permanent or temporary	Temporary
If temporary write-down, description of write-up mechanism	It is possible to increase the value after temporary reduction.
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	i. After payments within the scope of priority liabilities, ii. Equal among themselves and with all other equal-level Liabilities without order of preference, and iii. Before all payments within the scope of low-level liabilities.
In compliance with article number 7 and 8 of “Own fund regulation”	Article number 7
Details of incompliances with article number 7 and 8 of “Own fund regulation”	Article number 7

^(*) Profit share for participation banks.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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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. 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.

	Current Period	Prior Period ^(*)
Equity value of balance sheet	3.166.828	2.218.584
Cost of development of operating lease	(20.234)	(18.408)
Goodwill and other intangible assets and related deferred tax liability	(120.641)	(80.396)
Debt instruments and premiums approved by BRSA	300.000	-
Tier II Capital	57.294	47.962
Defined-benefit pension fund net assets	-	(1.728)
Debt instruments and premiums approved by BRSA -subordinated loans	519.350	-
Other values deducted from equity	(886)	(1.075)
Amount taken into consideration in the calculation of legal equity	3.901.711	2.164.939

^(*) The amounts in the unadjusted financial statements are presented.

II. EXPLANATIONS ON CREDIT RISK

The Credit risk states the debtor or institution's probability of loss which may decrease in credit standing partially or completely and prevent the requirements of the engagement liabilities on the time due to any reason.

Loan allocation authorization belongs to Board of Directors however relying on the authorization given by the Board of Directors, limits of credit customers determined within the scope of General Management's Credit Committee and the authorization limits which was given by Board of Directors, Financial and non-financial informations, credit needs, sectoral and identical features which belongs to credit customers evaluates accordingly allocate the limits.

With regards to the credit risk, the debtor or the group of debtors is subjected to risk limitation. Debtors and debtor groups are monitored weekly within the scope of risk limitation appetite.

The limits which is identified as related credit portfolio approved by the Board of Directors and revised when required. The identified limits will be distributed by considering the factors like portfolio structure, potentials of the customers and credit, regional and sectoral characteristics, competencies of the personnel.

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After the allocation of limit within the commercial portfolios, firms are continued to be monitored and the changes in the financial structures and market relations of the credit firms are followed.

Documents required to be received are clearly stated by the regulations in the application of funds and limit allocation, and these topic documents are evidently mentioned in regularity that received or not received which is controlled by audit departments. The Bank considers guarantees as important in minimization and elimination of the risk. As a result of policies and process based on obtaining reliable and good security, the Bank’s credit risk expected to be significantly decline.

Bank applies internal ratings processes as a decision support system for analyzing credit standing and determining credit allocation for Corporate/Entrepreneur consumer loans.

The Bank makes provision as proposed with the “Communiqué on Methods and Principles for Determining the Nature of Loans and Other Receivables and Allocation of Provisions”.

Identification of limits for domestic and foreign banks provide allocation which is determined by considering the needs of both clients and departments, with financial and economic conditions of the banks and their countries.

Treasury operations are executed in the frame of pre-determined authorization and limits, these authorization and limits are executed by monitory transactions.

The Bank calculate expected loss provisions (stage 3) which is classified as an illiquid claim considering with related deposits received from customers as stated in “Methods and Principles for the Determination of Loans and other Receivables to be Reserved for and Allocation for Reserves”.

The receivable of the Bank from its top 100 and 200 cash loan customers share in total cash loans ratio is 57,04% and 67,97% (31 December 2018: 55,17% and 65,14%).

The receivable of the Bank from its top 100 and 200 non-cash loan customers share in total non-cash loans ratio is 53,30% and 66,45% (31 December 2018: 59,75% and 72,39%).

The receivable of the Bank from its top 100 and 200 cash and non-cash receivables loan customers share in total cash and non-cash receivables loans ratio is 55,99% and 67,55% (31 December 2018: 56,85% and 67,80%).

The Banks general loan loss provision amount for its credit risk is TL 106.073 (31 December 2018: TL 84.621).

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Current Period							
Domestic	4.559.049	-	28.235	-	-	2.794.537	17.546.529
European Union Countries	-	-	-	-	-	863.326	-
OECD Countries ^(*)	-	-	-	-	-	4.584	-
Off-shore Banking Regions	-	-	-	-	-	238.034	-
USA, Canada	-	-	-	-	-	305.303	-
Other Countries	-	-	-	-	-	20.465	121.340
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ^(**)	-	-	-	-	-	-	-
Total	4.559.049		28.235	-	-	4.226.249	17.667.869
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables
Prior Period ^(***)							
Domestic	2.612.856	-	7.997	-	-	2.218.083	14.191.836
European Union Countries	-	-	-	-	-	115.275	-
OECD Countries ^(*)	-	-	-	-	-	1.281	-
Off-shore Banking Regions	-	-	-	-	-	63	-
USA, Canada	-	-	-	-	-	43.985	-
Other Countries	-	-	-	-	-	12.215	4.329
Subsidiaries, Associates and Joint Ventures	-	-	-	-	-	-	-
Unallocated Assets/Liabilities ^(**)	-	-	-	-	-	-	-
Total	2.612.856		7.997	-	-	2.390.902	14.196.165

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

^(*) OECD Countries other than EU countries, USA and Canada.^(**) Consists of assets and liabilities that cannot be distributed according to a consistent framework.^(***) The amounts in the unadjusted financial statements are presented.

	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	3.490.654	2.485.739	202.276	-	-	-	-	-	765.741	31.872.760
	1.139	1.162	-	-	-	-	-	-	-	865.627
	-	18	-	-	-	-	-	-	-	4.602
	-	-	-	-	-	-	-	-	-	238.034
	62	103	-	-	-	-	-	-	-	305.468
	182	428	-	45.500	-	-	-	-	-	187.915
	-	-	-	-	-	-	-	-	100	100
	-	-	-	-	-	-	-	-	-	-
	3.492.037	2.487.450	202.276	45.500	-	-	-	-	765.841	33.474.506
	Conditional and unconditional retail receivables	Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term receivables from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	Total
	1.376.029	1.935.066	91.375	-	-	-	-	-	116.555	22.549.797
	-	-	-	-	-	-	-	-	-	115.275
	-	-	-	-	-	-	-	-	-	1.281
	-	-	-	-	-	-	-	-	-	63
	-	-	-	-	-	-	-	-	-	43.985
	-	-	-	30.164	-	-	-	-	-	46.708
	-	-	-	-	-	-	-	-	100	100
	-	-	-	-	-	-	-	-	-	-
	1.376.029	1.935.066	91.375	30.164	-	-	-	-	116.655	22.757.209

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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Risk Profile by Sectors or Counterparties

	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Current Period								
Sectors/Counter Parties								
Agriculture	-	-	-	-	-	-	121.547	91.625
Farming and Stockbreeding	-	-	-	-	-	-	116.888	79.229
Forestry	-	-	-	-	-	-	4.654	9.046
Fishing	-	-	-	-	-	-	5	3.350
Manufacturing	-	-	1.172	-	-	-	8.478.192	1.180.360
Mining and Quarrying	-	-	-	-	-	-	439.862	17.585
Production	-	-	1.172	-	-	-	7.025.149	1.134.034
Electric, Gas and Water	-	-	-	-	-	-	1.013.181	28.741
Construction	-	-	-	-	-	-	3.643.981	610.415
Services	4.559.049	-	27.063	-	-	4.226.249	5.121.958	1.270.473
Wholesale and Retail Trade	-	-	-	-	-	-	2.816.442	934.732
Hotel Food and Beverage Services	-	-	-	-	-	-	159.604	46.362
Transportation and Telecommunication	-	-	-	-	-	-	523.093	48.246
Financial Institutions	4.559.049	-	3.847	-	-	4.226.249	352.690	3.302
Real Estate and Leasing Services	-	-	6.815	-	-	-	938.438	174.270
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	34.428	14.176
Health and Social Services	-	-	16.401	-	-	-	297.263	49.385
Other	-	-	-	-	-	-	302.191	339.164
Total	4.559.049	-	28.235	-	-	4.226.249	17.667.869	3.492.037

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes											
Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total	
15.209	698	-	-	-	-	-	-	108.846	120.233	229.079	
15.030	698	-	-	-	-	-	-	155.657	112.364	211.845	
51	-	-	-	-	-	-	-	5.054	4.589	13.751	
128	-	-	-	-	-	-	-	1.031	3.280	3.483	
402.410	38.593	-	-	-	-	-	-	2.283.557	6.386.340	10.100.727	
17.090	-	-	-	-	-	-	-	174.526	300.011	474.537	
370.826	38.593	-	-	-	-	-	-	2.854.792	5.714.982	8.569.774	
14.494	-	-	-	-	-	-	-	685.069	371.347	1.056.416	
437.998	41.214	-	-	-	-	-	-	3.024.393	1.709.215	4.733.608	
391.793	120.179	45.500	-	-	-	-	-	7.441.799	8.320.465	15.762.264	
236.664	79.001	-	-	-	-	-	-	2.217.876	1.848.963	4.066.839	
34.461	624	-	-	-	-	-	-	44.672	196.379	241.051	
3.769	1.191	-	-	-	-	-	-	96.140	480.159	576.299	
5.531	-	45.500	-	-	-	-	-	4.220.192	4.975.976	9.196.168	
38.217	35.316	-	-	-	-	-	-	624.072	568.984	1.193.056	
-	-	-	-	-	-	-	-	-	-	-	
58.798	4.009	-	-	-	-	-	-	91.486	19.925	111.411	
14.353	38	-	-	-	-	-	-	147.361	230.079	377.440	
1.240.040	1.592	-	-	-	-	-	765.841	1.617.667	1.031.161	2.648.828	
2.487.450	202.276	45.500	-	-	-	-	765.841	15.907.092	17.567.414	33.474.506	

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

Risk Profile by Sectors or Counterparties

	Risk Classes							
	Conditional and unconditional receivables from central governments or central banks	Conditional and unconditional receivables from regional or local governments	Conditional and unconditional receivables from administrative units and non-commercial enterprises	Conditional and unconditional receivables from multilateral development banks	Conditional and unconditional receivables from international organizations	Conditional and unconditional receivables from banks and brokerage houses	Conditional and unconditional corporate receivables	Conditional and unconditional retail receivables
Prior Period ⁽¹⁾								
Sectors/Counter Parties								
Agriculture	-	-	-	-	-	-	167.816	13.926
Farming and Stockbreeding	-	-	-	-	-	-	165.848	9.989
Forestry	-	-	-	-	-	-	1.968	3.356
Fishing	-	-	-	-	-	-	-	581
Manufacturing	-	-	-	-	-	-	6.709.315	386.972
Mining and Quarrying	-	-	-	-	-	-	228.911	10.291
Production	-	-	-	-	-	-	6.074.635	369.755
Electric, Gas and Water	-	-	-	-	-	-	405.769	6.926
Construction	-	-	-	-	-	-	2.999.326	168.416
Services	2.612.856	-	7.997	-	-	2.390.902	4.236.792	549.707
Wholesale and Retail Trade	-	-	-	-	-	-	2.422.604	427.177
Hotel Food and Beverage Services	-	-	-	-	-	-	75.722	13.351
Transportation and Telecommunication	-	-	-	-	-	-	415.185	22.146
Financial Institutions	2.612.856	-	2.824	-	-	2.390.902	330.671	2.710
Real Estate and Leasing Services	-	-	-	-	-	-	774.680	66.859
Self-Employment Services	-	-	-	-	-	-	-	-
Education Services	-	-	-	-	-	-	24.110	4.843
Health and Social Services	-	-	5.173	-	-	-	193.820	12.621
Other	-	-	-	-	-	-	82.916	257.008
Total	2.612.856	-	7.997	-	-	2.390.902	14.196.165	1.376.029

⁽¹⁾ The amounts in the unadjusted financial statements are presented.

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Risk Classes											
Conditional and unconditional receivables secured by mortgages	Past due receivables	Receivables defined in high risk category by BRSA	Securities collateralized by mortgages	Securitization positions	Short-term from banks, brokerage houses and corporates	Investments similar to collective investment funds	Other receivables	TL	FC	Total	
5.274	600	-	-	-	-	-	-	161.742	25.874	187.616	
4.824	600	-	-	-	-	-	-	155.657	25.604	181.261	
-	-	-	-	-	-	-	-	5.054	270	5.324	
450	-	-	-	-	-	-	-	1.031	-	1.031	
236.014	11.713	-	-	-	-	-	-	2.283.557	5.060.457	7.344.014	
2.779	-	-	-	-	-	-	-	42.759	199.222	241.981	
220.762	11.713	-	-	-	-	-	-	1.965.012	4.711.853	6.676.865	
12.473	-	-	-	-	-	-	-	275.786	149.382	425.168	
489.634	29.073	-	-	-	-	-	-	2.403.786	1.282.663	3.686.449	
361.346	49.806	30.164	-	-	-	-	100	5.526.159	4.713.511	10.239.670	
184.752	23.275	-	-	-	-	-	-	1.831.224	1.226.584	3.057.808	
15.881	81	-	-	-	-	-	-	36.189	68.846	105.035	
4.885	198	-	-	-	-	-	-	111.292	331.122	442.414	
-	-	30.164	-	-	-	-	100	2.915.941	2.454.286	5.370.227	
115.970	23.584	-	-	-	-	-	-	503.080	478.013	981.093	
-	-	-	-	-	-	-	-	-	-	-	
32.941	1.992	-	-	-	-	-	-	49.147	14.739	63.886	
6.917	676	-	-	-	-	-	-	79.286	139.921	219.207	
842.798	183	-	-	-	-	-	116.555	1.113.426	186.034	1.299.460	
1.935.066	91.375	30.164	-	-	-	-	116.655	11.488.670	11.268.539	22.757.209	

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Analysis of maturity-bearing exposures according to remaining maturities:

Exposure Classifications	Term to Maturity				
	1 Month	1-3 Months	3-6 Months	6-12 Months	Over 1 Year
Conditional and unconditional exposures to central governments or central banks	1.677.088	280.080	33.422	459.719	2.108.740
Conditional and unconditional exposures to regional governments or local authorities	-	-	-	-	-
Conditional and unconditional receivables from administrative units and non-commercial enterprises	6.091	109	818	9.509	11.708
Conditional and unconditional exposures to multilateral development banks	-	-	-	-	-
Conditional and unconditional exposures to international organizations	-	-	-	-	-
Conditional and unconditional exposures to banks and brokerage houses	4.201.521	7.173	166	4.991	12.398
Conditional and unconditional exposures to corporates	1.458.672	1.555.190	2.910.468	2.680.454	9.063.085
Conditional and unconditional retail exposures	113.503	240.104	480.179	691.913	1.966.338
Conditional and unconditional exposures secured by real estate property	13.945	32.001	99.537	154.018	2.187.949
Past due receivables	202.276	-	-	-	-
Receivables defined in high risk category by BRSA	41.923	-	-	3.577	-
Exposures in the form of bonds secured by mortgages	-	-	-	-	-
Securitization Positions	-	-	-	-	-
Short term exposures to banks, brokerage houses and corporates	-	-	-	-	-
Exposures in the form of collective investment undertakings	765.841	-	-	-	-
Grand Total	8.480.860	2.114.657	3.524.590	4.004.181	15.350.218

Prepared with the amounts after conversion rate to credit and before Credit Risk Reduction.

Grades of Fitch Ratings International Rating Agency are used in determining risk weights for risk classes being used rating grade of risk classes indicated in article 6 of Communiqué on “Measurement and Assessment of Capital Adequacy of Banks”. Additionally, grades of Fitch Ratings International Rating Agency were used for receivables from central government and central bank of our country and counter parties abroad. Counter parties resident are accepted as “gradeless” and take risk weight suited for “gradeless” category in relevant risk class.

Rating Scores are used in the following risk classes;

1. Receivables from Central Governments or Central Banks
2. Receivables from Regional Governments or Local Authorities
3. Receivables from Administrative Units and Non-commercial Enterprises
4. Receivables from Banks and Brokerage Houses

While credit quality level grade given by Fitch Ratings International Rating Agency decreases to 3, grades using in risk class of receivables from banks and intermediary institutions matched with all credit quality levels from 1 to 6 in risk classes of receivables from central governments or central banks, receivables from regional governments or local authorities and receivables from administrative units and non-commercial enterprises.

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For determination of risk weight regarding items that export or issuer rating not included to purchase/sale accounts is firstly considered to export rating, and also issuer's credit rating is considered in the absence of export rating.

Exposures by risk weights:

Risk Weights	0%	10%	20%	35%	50%	75%	100%	150%	200%	250%	1250%	Deductions from Equity
1 Exposures before Credit Risk Mitigation	4.010.632	-	3.116.439	1.415.935	3.508.087	3.489.845	18.024.896	45.500	-	-	-	140.875
2 Exposures after Credit Risk Mitigation	5.112.836	-	3.237.594	1.415.935	3.876.758	2.941.558	16.981.154	45.500	-	-	-	140.875

Prepared with the numbers after conversion rate to credit.

Information on Significant Sectors or Counterparty Based:

Impaired Credits; are the credits that were deemed to be impaired because of the credibility or delaying more than 90 days as of the end of the reporting period. For these credits “Expected Credit Loss” calculation is made within the scope of Regulation on Provisions.

Past Due Credits; are the credits whose maturity delayed up to 90 days as of the end of the reporting period but not incurred to impairment for these credits “Expected Credit Loss” calculation is made within the scope of Regulation for Provisions.

Current Period	Loans		Provisions
	Impaired (IFRS9)		Expected Credit Losses (Stage 2 and Stage 3)
	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	
Agriculture	22.176	15.350	9.424
Farming and raising livestock	20.761	12.001	7.152
Forestry	1.415	2.510	1.687
Fishing	-	839	585
Manufacturing	783.969	250.207	200.718
Mining	216.465	5.951	5.890
Production	561.512	239.581	192.284
Electricity, gas, water	5.992	4.675	2.544
Construction	297.042	76.453	51.851
Services	274.112	304.252	178.329
Wholesale and retail trade	204.127	161.902	106.601
Hotel food, beverage services	6.991	1.357	790
Transportation and telecommunication	12.250	38.299	25.128
Financial institutions	5.422	-	60
Real estate and lending service	39.606	93.742	40.377
Self-employment service	-	-	-
Education service	3.212	33	41
Health and social services	2.504	8.919	5.332
Other	20.827	29.020	84.073
Total	1.398.126	675.282	524.395

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

	Loans			Provisions
	Impaired (IFRS9)		Non performing (Provision Regulation)	Expected Credit Losses (Stage 2 and Stage 3)
	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)		
Prior Period ^(*)				
Agriculture	16.025	4.643	-	2.741
Farming and raising livestock	11.934	2.728	-	1.641
Forestry	3.728	1.424	-	878
Fishing	363	491	-	222
Manufacturing	477.252	109.173	-	79.109
Mining	186.234	1.066	-	508
Production	291.018	108.107	-	78.598
Electricity, gas, water	-	-	-	3
Construction	303.739	31.225	-	22.270
Services	270.537	93.626	-	63.108
Wholesale and retail trade	186.712	47.732	-	36.510
Hotel food, beverage services	17.881	11	-	11
Transportation and telecommunication	25.399	27.351	-	13.772
Financial institutions	-	-	-	-
Real estate and lending service	39.819	14.704	-	11.092
Self-employment service	-	-	-	-
Education service	-	3.828	-	-
Health and social services	726	-	-	1.723
Other	8.168	1.493	-	8.187
Total	1.075.721	240.160	-	175.415

(*) The amounts in the unadjusted financial statements are presented.

Information about Value Adjustment and Change in Provisions:

	Opening Balance	Provision for Period ^(*)	Provision Reversals	Other Adjustments	Closing Balance
1 Stage 3 Provisions	123.778	324.644	(17.064)	36.415	467.773
2 Stage 1 and 2 Provisions	84.621	79.834	(80.991)	22.609	106.073

(*) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

	Opening Balance	Provision for Period	Provision Reversals	Other Adjustments	Closing Balance
Prior Period ^(*)					
1 Stage 3 Provisions	20.546	105.347	(2.115)	-	123.778
2 Stage 1 and 2 Provisions	33.964	71.272	(20.615)	-	84.621

(*) The amounts in the unadjusted financial statements are presented.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

The table below shows the maximum exposure to credit risk for the components of the financial statements.

	Current Period	Prior Period ^(*)
Financial Assets at Fair Value Through Profit/Loss	-	56
Banks	916.418	787.671
Interbank Money Market Placements	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.386.937	1.299.465
Financial Assets Measured at Amortised Cost	-	-
Loans	25.908.664	17.035.250
Receivables From Leasing Transactions	3.656.366	703.834
Other Assets	-	-
Total credit risk exposure of balance sheet items	32.868.385	19.826.276
Financial Guarantees	11.328.137	10.283.442
Commitments	400.233	358.815
Total credit risk exposure of off-balance sheet items	11.728.370	10.642.257
Total credit risk exposure	44.596.755	30.468.533

^(*) The amounts in the unadjusted financial statements are presented.

Information about credit quality per class of financial assets:

	Current Period			Prior Period ^(*)		
	Neither past due nor impaired	Past due but not impaired	Total	Neither past due nor impaired	Past due but not impaired	Total
Financial Assets						
Banks	916.418	-	916.418	787.671	-	787.671
Derivative Financial Assets	-	-	-	56	-	56
Loans	23.835.256	1.398.126	25.233.382	15.928.109	1.075.721	17.003.830
Corporate/Entrepreneurial Loans	21.686.253	1.388.068	23.074.321	14.319.501	1.069.764	15.389.265
Consumer Loans	2.149.003	10.058	2.159.061	1.608.608	5.957	1.614.565
Specialized Loans	-	-	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.386.937	-	2.386.937	414.683	-	414.683
Financial Assets at Fair Value Through Profit/Loss	547.750	-	547.750	-	-	-

^(*) The amounts in the unadjusted financial statements are presented.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

III. EXPLANATIONS ON COUNTER-CYCLICAL CAPITAL BUFFER CALCULATIONS RISK

According to the Board resolution of BRSA, the transactions made between the banks are not involved to the counter-cyclical buffer ratio calculation. Within this scope as of 31 December 2018 the Bank does not have any receivables from abroad apart from the Banks, however the Bank discretely uses the uppermost ratio determined by BRSA, which is 0%. The geographical distribution of receivables from the private sector taken into account in the calculation of the bank-specific counter-cyclical capital buffer is described in the following table:

Country name	RWA for banking accounts	RWA for trading accounts	TOTAL
The United Arab Emirates	44.870	-	44.870
Marshall Islands	16.733	-	16.733
Saudi Arabia	1.553	-	1.553
Germany	415	-	415
Turkish Republic of Northern Cyprus	88	-	88
United States of America	82	-	82
France	35	-	35
Holland	32	-	32
Jordan	22	-	22
Ghana	13	-	13
Austria	10	-	10
Italia	10	-	10
Romania	8	-	8
England	6	-	6
Norway	6	-	6
South Africa	2	-	2

IV. 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.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

None.

c) Foreign currency risk policy:

“Liquidity Gap Analysis”, “Repricing Gap Analysis” and “Structural Liquidity Gap Analysis” which takes into account historical repricing rates of foreign currency accounts, are prepared periodically in order to define liquidity and interest rate risks at USD and Euro, which are mainly used by the Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
31.12.2019	5,9336	6,6542	4,1445	0,8865	0,6334	6,1238	4,5173	0,6726	7,8243	1,5697	5,4070
30.12.2019	5,9306	6,6432	4,1265	0,8851	0,6321	6,1062	4,4891	0,6711	7,7789	1,5689	5,3940
27.12.2019	5,9421	6,6275	4,1173	0,8832	0,6325	6,0772	4,4920	0,6692	7,7685	1,5718	5,3740
26.12.2019	5,9241	6,5678	4,0866	0,8747	0,6244	6,0273	4,4648	0,6625	7,6794	1,5670	5,3500
25.12.2019	5,9335	6,5800	4,0848	0,8769	0,6290	6,0345	4,4620	0,6594	7,6519	1,5694	5,3500
24.12.2019	5,9356	6,5746	4,0857	0,8759	0,6258	6,0353	4,4653	0,6609	7,6741	1,5699	5,3710

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

USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	100 Yen
5,8444	6,4896	4,0023	0,8645	0,6167	5,9311	4,3906	0,6446	7,6431	1,5464	5,3000

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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Information on the foreign currency risk of the Bank

	EUR	USD	Other FC ^(*)	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	912.111	1.242.173	640.016	2.794.300
Banks	300.474	318.291	292.448	911.213
Financial assets at fair value through profit and loss ^(**)	-	-	-	-
Money market placements	-	-	-	-
Financial assets at fair value through other comprehensive income	301.717	-	-	301.717
Loans ^(*)	6.923.897	4.746.916	-	11.670.813
Equity Investments	-	-	-	-
Financial assets measured at amortised cost	547.750	-	-	547.750
Derivative financial assets for hedging purposes	-	-	-	-
Tangible fixed assets (net)	-	-	-	-
Intangible assets (net)	-	-	-	-
Other assets	5.315	1.222	58.990	65.527
Total assets ^(***)	8.991.264	6.308.602	991.454	16.291.320
Liabilities				
Current account and funds collected from Banks via participation accounts	20	97	-	117
Current and profit sharing accounts FC	4.989.517	6.521.421	913.985	12.424.923
Money market borrowings	-	-	-	-
Funds provided from other financial institutions	2.005.285	1.115.851	-	3.121.136
Marketable securities issued	-	-	-	-
Derivative financial liabilities for hedging purposes	-	-	-	-
Other liabilities	626.158	33.781	12.116	672.055
Total liabilities ^(***)	7.620.980	7.671.150	926.101	16.218.231
Net balance sheet position	1.370.284	(1.362.548)	65.353	73.089
Net off-balance sheet position ^(**)	(1.316.302)	1.317.991	-	1.689
Financial derivative assets	-	1.317.991	-	1.317.991
Financial derivative liabilities	1.316.302	-	-	1.316.302
Non-cash loans	3.528.070	2.792.756	80.345	6.401.171
Prior Period				
Total assets	6.954.910	3.820.287	413.962	11.189.159
Total liabilities	5.678.639	4.477.852	406.829	10.563.320
Net balance sheet position	1.276.271	(657.565)	7.133	625.839
Net off-balance sheet position	(1.309.464)	1.321.437	-	11.973
Financial derivative assets	-	1.321.437	-	1.321.437
Financial derivative liabilities	1.309.464	-	-	1.309.464
Non-cash loans	3.145.078	2.996.581	71.542	6.213.201

^(*) TL 186.677 equivalent of USD loans, and TL 497.071 equivalent of EUR loans are originated from foreign currency indexed loans and financial leasing.

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

^(***) In accordance with the principles of the "Regulation on Measurement and Practices of Banks' Net Overall FC Position/Shareholders' Equity Ratio on a Consolidated and Unconsolidated Basis", Foreign Currency Expense Accruals of Derivative Financial Assets 17.469 TL are not included.

^(****) Of the foreign currencies presented in the other foreign currency column of assets 88% is Gold, 2% is GBP, 2% is CHF and remaining 8% is other foreign currencies. Of the foreign currencies presented in the other foreign currency column of liabilities 93% is Gold, 3% is GBP, 2% CHF and the remaining 2% is other foreign currencies.

^(*****) Provisions, liabilities from financial leasing transactions and subordinated loans are included.

^(*****) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

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V. EQUITY SHARE POSITION RISK ON BANKING ACCOUNTS

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

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

According to the standard method of credit risk, equity investments in banking accounts are TL 11.519 all of which are 100% risk weighted (31 December 2018: TL 7.897).

VI. EXPLANATIONS RELATED TO LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

1) LIQUIDITY RISK:

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

The Banks fund resources consist of mainly participation funds. The bank is gathering funds in the name of participation accounts that the principal and predetermined yield are not guaranteed to be 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.

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

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

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

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

2) Liquidity Coverage Ratio:

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

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

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

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

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

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

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

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Prior Period	Consideration Ratio Not Applied Total Value ^(*)		Consideration Ratio Applied Total Value ^(*)	
	TL+FC	FC	TL+FC	FC
HIGH QUALITY LIQUID ASSETS	2.811.586	1.600.247	2.811.586	1.600.247
High quality liquid assets	-	-	2.811.586	1.600.247
CASH OUTFLOWS	22.228.336	10.520.373	5.710.025	3.129.897
Real person deposits and retail deposits	7.500.634	3.492.136	684.961	349.214
Stable deposit	1.302.045	-	65.102	-
Deposit with low stability	6.198.589	3.492.136	619.859	349.214
Unsecured debts except real person deposits and retail deposits	7.055.132	3.537.075	3.904.431	1.904.188
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	7.055.132	3.537.075	3.904.431	1.904.188
Secured debts	-	-	-	-
Other cash outflows	7.672.570	3.491.162	1.120.633	876.495
Derivative liabilities and margin obligations	682.458	653.705	682.458	653.705
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	346.475	323.667	105.993	97.100
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	6.643.637	2.513.790	332.182	125.690
TOTAL CASH OUTFLOW	22.228.336	10.520.373	5.710.025	3.129.897
CASH INFLOWS	4.356.139	2.131.504	3.535.259	2.005.171
Secured receivables	-	-	-	-
Unsecured claims	3.667.131	1.458.629	2.846.250	1.332.297
Other cash inflows	689.008	672.874	689.008	672.874
TOTAL CASH INFLOWS	4.356.139	2.131.503	3.535.258	2.005.171
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	2.811.587	1.600.246
TOTAL NET CASH OUTFLOWS	-	-	2.174.767	1.124.726
LIQUIDITY COVERAGE RATIO (%)	-	-	129	142

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

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Breakdown of assets and liabilities according to their outstanding maturities:

Current Period	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey ^(*)	418.735	2.475.665	-	-	-	-	-	2.894.400
Banks ^(*)	916.283	-	-	-	-	-	-	916.283
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	3.594	349.212	583.141	1.443.318	-	7.672	2.386.937
Loans Given	-	7.029.842	1.338.998	5.654.593	12.044.093	2.923.658	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	-	-	547.750	-	-	547.750
Other Assets ^(**)	-	-	-	-	-	-	655.620	655.620
Total Assets	1.335.018	9.509.101	1.688.210	6.237.734	14.035.161	2.923.658	663.292	36.392.174
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	123	-	-	-	-	-	-	123
Current and Participation Accounts	4.138.185	13.556.021	4.268.215	3.264.383	230.318	-	-	25.457.122
Funds Provided from Other Financial Instruments	-	793.938	1.486.028	3.047.370	575.484	75.850	-	5.978.670
Money Market Borrowings	-	19.135	-	-	-	-	-	19.135
Issued Marketable Securities	-	-	-	-	-	-	-	-
Other Liabilities ^(***)	-	-	-	-	849.689	-	4.087.435	4.937.124
Total Liabilities	4.138.308	14.369.094	5.754.243	6.311.753	1.655.491	75.850	4.087.435	36.392.174
Liquidity Gap	(2.803.290)	(4.859.993)	(4.066.033)	(74.019)	12.379.670	2.847.808	(3.424.143)	-

^(*) Expected credit losses are not included.

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

^(***) The sum of subordinated loans are shown in this column.

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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
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	357.861	1.649.112	-	-	-	-	-	2.006.973
Banks	802.212	-	-	-	-	-	-	802.212
Financial Assets at Fair Value Through Profit and Loss	-	-	-	-	-	-	-	-
Money Market Placements	-	-	-	-	-	-	-	-
Financial Assets Available-for-Sale	-	669	5.592	144.649	1.148.555	-	4.910	1.304.375
Loans Given	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	3.141.804	20.881.229
Financial Assets Measured at Amortised Cost	-	-	-	-	-	-	-	-
Other Assets ^(*)	-	-	-	-	-	-	482.567	482.567
Total Assets	1.160.073	4.161.718	1.482.584	4.985.591	8.662.267	1.395.842	3.629.281	25.477.356
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	5.918	20.247	20.051	-	-	-	-	46.216
Current and Participation Accounts	2.375.521	9.463.550	2.252.093	1.006.366	7.352	-	-	15.104.882
Funds Provided from Other Financial Instruments	-	1.160.235	1.485.067	574.655	141.917	-	2.649.551	6.011.425
Money Market Borrowings	-	864.414	-	-	-	-	-	864.414
Issued Marketable Securities	-	-	-	-	-	-	179.895	179.895
Other Liabilities ^(*)	-	-	-	-	-	-	3.270.524	3.270.524
Total Liabilities	2.381.439	11.508.446	3.757.211	1.581.021	149.269	-	6.099.970	25.477.356
Liquidity Gap	(1.221.366)	(7.346.728)	(2.274.627)	3.404.570	8.512.998	1.395.842	(2.470.689)	-

^(*) 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.

^(**) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

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Presentation of Liabilities According to Their Remaining Maturities

Current Period	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Bank deposits	123	-	-	-	-	123
Other deposits	17.694.206	4.268.215	3.264.383	230.318	-	25.457.122
Funds borrowed from other financial institutions	793.938	1.486.028	3.047.370	575.484	75.850	5.978.670
Funds borrowed from Interbank money market	19.135	-	-	-	-	19.135
Total	18.507.402	5.754.243	6.311.753	805.802	75.850	31.455.050
Prior Period ^(*)						
Bank deposits	26.165	20.051	-	-	-	46.216
Other deposits	11.839.071	2.252.093	1.006.366	7.352	-	15.104.882
Funds borrowed from other financial institutions	1.160.235	1.485.067	574.655	141.917	2.649.551	6.011.425
Funds borrowed from Interbank Money market	864.414	-	-	-	-	864.414
Total	13.889.885	3.757.211	1.581.021	149.269	2.649.551	22.026.937

^(*) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

VII. EXPLANATIONS ON LEVERAGE RATIO

As of December 31, 2019, the leverage ratio of the Bank calculated from the average of three months is 7,7%. (31 December 2018: 6,1%). The relevant ratio is above the minimum rate specified by the Regulation on Measurement and Assessment of Leverage Level of Banks.

The reason for the change between the current period and the previous period's leverage ratio is that the average total risk increase rate is higher than the increase in average capital.

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Leverage ratio disclosure as follows:

Balance sheet assets	Current Period (*)	Prior Period (**)
Balance sheet assets (Except for derivative financial instruments and credit derivatives, including warranties)	33.912.199	21.113.586
(Assets deducted from main capital)	(136.619)	(99.706)
Total risk amount of the balance sheet assets	33.775.580	21.013.880
Derivative financial instruments and credit derivatives		
Replacement cost of derivative financial instruments and credit derivatives	20.334	11.550
Potential credit risk amount of derivative financial instruments and credit derivatives	14.549	13.565
Total risk amount of derivative financial instruments and credit derivative	34.883	25.115
Security or secured financing transactions		
Risk amount of security or secured financing transactions (Except balance sheet)	65.054	36.567
Risk amount due to intermediated transactions	-	-
Total risk amount of security or secured financing transactions	65.054	36.567
Off-balance sheet transactions		
Gross nominal amount of off-balance sheet transactions	11.309.929	11.021.090
(Adjustment amount resulting from multiplying by credit conversion rates)	-	-
Risk amount of the off-balance sheet transactions	11.309.929	11.021.090
Equity and total risk		
Main capital	3.486.792	1.970.244
Total risk amount	45.185.446	32.096.652
Leverage ratio		
Leverage ratio	7,7	6,1

(*) Amounts in the table are obtained on the basis of three-month weighted average.

(**) The amounts in the unadjusted financial statements are presented.

VIII. EXPLANATIONS ON SECURITIZATION POSITIONS

None.

IX. EXPLANATIONS ON RISK MANAGEMENT

Notes and explanations in this section have been prepared in accordance with the “Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks” that have been published in Official Gazette no. 29511 on 23 October 2015 and became effective as of 31 March 2016. Due to usage of standard approach for the calculation of capital adequacy by the Bank, tables that need to be prepared within the scope of Internal Ratings Based (“IRB”) have not been presented.

Within the scope of risk management, there are many risks that affect our bank’s financial performance significantly. These risks include the risk of credit risk, market risk, operational risk, liquidity risk and profit share ratio arising from banking accounts. Risk management strategy is based on the mission and vision of bank and is aimed to respond to customers’ financial needs in the most appropriate way and to support their financial success. In this context, business practices and our working model support prudent risk management practices.

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

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

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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

Overview of RWA		Risk Weighted Amount		Minimum capital Requirement
		Current Period	Prior Period ^(*)	Current Period
1	Credit risk (excluding counterparty credit risk) (CCR)	22.300.429	15.955.856	1.784.034
2	Standardized approach (SA)	22.300.429	15.955.856	1.784.034
3	Internal rating-based (IRB) approach	-	-	-
4	Counterparty credit risk	45.469	204.871	3.638
5	Standardized approach for counterparty credit risk (SA-CCR)	45.469	204.871	3.638
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	183.570	129.986	14.686
17	Standardized approach (SA)	183.570	129.986	14.686
18	Internal model approaches (IMM)	-	-	-
19	Operational Risk ^(*)	1.004.413	491.392	80.353
20	Basic Indicator Approach	1.004.413	491.392	80.353
21	Standard Approach	-	-	-
22	Advanced measurement approach	-	-	-
23	The amount of the discount threshold under the equity (subject to a 250% risk weight)	-	-	-
24	Floor adjustment	-	-	-
25	Total (1+4+7+8+9+10+11+12+16+19+23+24)	23.533.881	16.782.105	1.882.711

^(*) The amounts in the unadjusted financial statements are presented.

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
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2. Linkages Between Financial Statements and Regulatory Exposures**a) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

	Carrying values of items in accordance with TAS				
	Carrying values under scope of regulatory consolidation ^(*)	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets					
Cash and balances at central bank	2.894.439	2.894.439	-	2.794.300	-
Financial assets held for trading	17.496	-	17.496	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-	-
Banks	916.418	916.418	-	911.213	-
Receivables from money markets	-	-	-	-	-
Financial assets available for sale (net)	2.386.763	2.386.763	105.559	301.717	-
Loans and receivables	25.334.818	26.010.100	-	8.862.682	-
Factoring receivables	-	-	-	-	-
Financial Assets Measured at Amortised Cost	547.750	547.750	-	547.750	-
Investments in associates (net)	-	-	-	-	-
Investments in subsidiaries (net)	100	100	-	-	-
Investments in joint ventures (net)	-	-	-	-	-
Leasing receivables	3.656.366	3.656.366	-	2.124.383	-
Derivative financial assets held for hedges	-	-	-	-	-
Tangible assets (net)	157.597	137.362	-	-	20.234
Intangible assets (net)	120.641	-	-	-	120.641
Investment properties (net)	-	-	-	-	-
Tax assets	42.153	42.153	-	-	-
Non-current assets and disposal groups classified as held for sale (net)	104.069	104.069	-	-	-
Other assets	213.564	213.564	-	65.527	-
Total Assets	36.392.174	36.909.084	123.055	15.607.572	140.875
Liabilities					
Deposits	25.457.245	-	-	12.425.040	-
Derivative financial liabilities held for trading	12.479	-	-	12.460	-
Loans	5.978.670	-	-	3.121.136	-
Debt to money markets	19.135	-	19.135	-	-
Debt securities in issue	-	-	-	-	-
Funds	-	-	-	-	-
Various Debts	-	-	-	-	-
Other Debts	440.397	-	-	76.805	-
Factoring debts	-	-	-	-	-
Debts from leasing transactions	110.059	-	-	12.267	-
Derivative financial liabilities held for hedge	-	-	-	-	-
Provisions	235.279	-	-	45.645	-
Tax liability	122.393	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	849.689	-	-	537.338	-
Equity	3.166.828	-	-	642	-
Total Liabilities	36.392.174	-	19.135	16.231.333	-

(*) Refers to the unconsolidated financial statements of the Bank.

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b) Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

	Total	Items subject to credit risk framework	Securitisation Position	Items subject to counterparty credit risk framework	Items subject to market risk framework
Asset carrying value amount under scope of regulatory consolidation	36.392.173	36.909.084	-	123.056	15.607.573
Liabilities carrying value amount under regulatory scope of consolidation	19.135	-	-	19.135	-
Total net amount under regulatory scope of consolidation	36.373.038	36.909.084	-	103.921	-
Off-balance sheet amounts	12.082.308	11.619.628	-	462.681	-
Differences in valuations	-	-	-	-	-
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	-
Differences due to consideration of provisions	-	-	-	-	-
Differences due to prudential filters	-	-	-	-	-
Exposure amounts considered for regulatory purposes	-	-	-	-	-

3. Explanations on Credit Risk

3.1) General information about credit risk

a) General qualitative information about credit risk

Effective management of credit risk is one of the key elements of a comprehensive approach to risk management. Corporate, individual and SME loans, finance lease receivables, other elements constituting the bank's assets and non-cash transactions constitute the basis of the items which constitute credit risk, which are used depending on the activities of our bank. Taking into consideration the risk appetite of our bank in the activities carried out in this direction is important in terms of enabling the effective management of credit risk.

Credit risk limits has been designed in accordance with the level of risk that the Bank may be exposed to, its activities and the size and complexity of its products and services and is determined by taking the views and recommendations of the General Manager, the Audit Committee and the relevant Senior Managers. Limits are regularly monitored periodically, and adapting to changes in market conditions, the Bank's strategy and risk appetite. In addition to taking into account our legal requirements while creating credit risk policies, our current credit performance has been audited and a policy has been developed in line with the Bank's strategies and targets.

Credit risk calculations are carried out carefully and meticulously and controls are carried out in accordance with the legislation. In the present case, calculations are made using the standard method and infrastructure studies are continuing to use advanced methods. Credit risk calculations and applied methods are also monitored by internal control and audit departments, taking into account legal requirements at each stage.

Detailed reporting including the relationship with credit risk and other risks exposed to the Board of Directors and Senior Managers is periodically shared and the credit risk is monitored effectively by the risk management unit.

b) Credit quality of assets

	Defaulted exposures	Non-defaulted exposures	Provisions/Amortization and impairment	Net value
Loans ^(*)	675.282	28.889.748	573.846	28.991.184
Debt instruments	-	2.928.432	1.417	2.927.015
Off-balance sheet receivables	-	11.619.042	18.452	11.600.590
Total	675.282	43.437.222	593.715	43.518.789

^(*) Financial Lease amount of TL 3.656.366 is included to the table.

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c) Default receivables and change in debt instrument stock

1	Prior report period default loans and debt instrument amount ^(*)	240.160
2	Default credits and debt instruments since the last reporting period ^(**)	732.881
3	Non re-defaulted receivables	-
4	Write-offs	-
5	Other changes	(297.759)
6	Defaulted loans and debt securities at end of reporting period (1+2-3-4±5)	675.282

(*) The amounts in the unadjusted financial statements are presented.

(**) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

d) Additional disclosures about the credit quality of assets

i. The scope and definitions of "past due" and "impaired" exposures used for accounting purposes and the differences, if any, between the definition of past due and default for accounting and regulatory purposes

The Bank provides special and general provisions for loans and other receivables in accordance with the "Regulation on the Procedures and Principles for the Determination of the Qualifications of Banks for Loans and Other Receivables and the Provisions to be Made".

ii. The extent of past-due exposures (more than 90 days) that are not considered to be impaired and the reasons for this

The Bank automatically transfers the loans that are over 90 days past due to the provisions of the Provisions Regulation to the follow-up accounts and allocates the counterparty of the related class.

iii. Definitions of methods used when setting the allowance

The Bank sets expected loss provisions for loans and other receivables in accordance with the regulations stated by the Communiqué published on the Official Gazette numbered 29750 and dated 22 June 2016 on "Methods and Principles on Determining the Nature of Loans and Other Receivables and Allocation of Provisions".

iv. The Banks own definition of a restructured exposure

Real/legal persons using credit may, from time to time, face usual risks of business life such as failure to include the excessive cost increases in sales prices, loss of market share and turnover, unexpected expenses, problems in collection of receivables due to some factors that are beyond reasonable control of its own businesses or other businesses worked with. They may therefore have temporary liquidity difficulties. It involves setting new loan repayment maturities in line with cash flows for businesses which have no significant problem in credit worthiness and sustain their income-generating activities but fail, or priorly imply failure, to make their loan repayment in a timely manner due to temporary liquidity problems.

v. Breakdown of receivables according to geographical areas, breakdown by sector and remaining demand, geographical segments and sectoral provision amount and related provisions and write-offs:

Current period	Loans				Provisions for Expected Credit Losses
	Impaired (IFRS 9)		Non performing (Provision Regulations)		
	Significant Increase in credit risk (Stage 2)	Defaulted (Stage 3)			
Domestic	1.398.126	675.282	675.282	573.472	
EU countries	-	-	-	24	
USA, Canada	-	-	-	-	
OECD Countries	-	-	-	-	
Off-shore Banking Regions	-	-	-	78	
Other	-	-	-	272	
Total	1.398.126	675.282	675.282	573.846	

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Prior Period ^(*)	Loans and Receivables	Non Performing Loans	Special Provisions	Total
Domestic	1.075.721	240.160	240.160	207.628
EU countries	-	-	-	16
USA, Canada	-	-	-	6
OECD Countries	-	-	-	-
Off-shore Banking Regions	-	-	-	-
Other	-	-	-	749
Total	1.075.721	240.160	240.160	208.399

^(*) The amounts in the unadjusted financial statements are presented.

Current period	Loans	Non performing loans	Expected Loss Provision	Total
Agriculture	801.694	15.350	10.194	806.850
Farming and Stockbreeding	700.355	12.001	7.750	704.606
Forestry	88.553	2.510	1.823	89.240
Fishery	12.786	839	621	13.004
Manufacturing	10.435.958	250.207	221.954	10.464.211
Mining and Quarrying	2.085.611	5.951	9.695	2.081.867
Production	7.745.368	239.581	208.652	7.776.297
Electricity, Gas and Water	604.979	4.675	3.607	606.047
Construction	4.479.509	76.453	63.398	4.492.564
Services	10.887.275	304.252	193.335	10.998.192
Wholesale and Retail Trade	4.183.944	161.902	114.417	4.231.429
Accommodation and Dining	166.539	1.357	1.594	166.302
Transportation and Telecom	248.139	38.299	25.629	260.809
Financial Institutions	5.399.102	-	2.873	5.396.229
Real Estate and Rental Services	666.932	93.742	42.647	718.027
Professional Services	-	-	-	-
Educational Services	65.099	33	398	64.734
Health and Social Services	157.520	8.919	5.777	160.662
Other	2.285.312	29.020	84.965	2.229.367
Total	28.889.748	675.282	573.846	28.991.184

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Prior Period ^(*)	Loans and Receivables	Loans under follow up	Special Provisions	Total
Agriculture	319.891	4.643	3.183	321.351
Farming and Stockbreeding	245.851	2.728	2.006	246.573
Forestry	66.108	1.424	943	66.589
Fishery	7.932	491	234	8.189
Manufacturing	7.204.630	109.173	95.316	7.218.487
Mining and Quarrying	954.611	1.066	1.512	954.165
Production	5.977.816	108.107	92.741	5.993.182
Electricity, Gas and Water	272.203	-	1.063	271.140
Construction	3.139.236	31.225	30.409	3.140.052
Services	5.337.892	93.626	68.089	5.363.429
Wholesale and Retail Trade	2.046.400	47.732	39.437	2.054.695
Accommodation and Dining	55.775	11	105	55.681
Transportation and Telecom	289.081	27.351	14.350	302.082
Financial Institutions	-	-	-	-
Real Estate and Rental Services	2.841.458	14.704	12.079	2.844.083
Professional Services	-	-	-	-
Educational Services	56.091	3.828	244	59.675
Health and Social Services	49.087	-	1.874	47.213
Other	1.706.015	1.493	11.402	1.696.106
Total	17.707.664	240.160	208.399	17.739.425

^(*)The amounts in the unadjusted financial statements are presented.

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
Current Period								
Loans	-	7.029.842	1.338.998	5.654.593	12.044.093	2.923.658	-	28.991.184
Prior Period ^(*)								
Loans	-	2.511.937	1.476.992	4.840.942	7.513.712	1.395.842	-	17.739.425

^(*)The amounts in the unadjusted financial statements are presented.**vi. Aging analysis for past due receivables****Past due but not impaired loans aging analysis based on credit class as follows:**

Current Period	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables ⁽¹⁾				
Corporate/Entrepreneurial Loans	314.941	131.792	187.144	633.877
Consumer loans	246	-	-	246
Total	315.187	131.792	187.144	634.123

⁽¹⁾ Explanations on the amounts; For the loans with instalments, the overdue installment amounts, for other type of credits, the overdue principal amount and the remaining principal amounts of intallmant results with a grand total of TL 764.003

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Previous Period ^(*)	Up to 1 month	1-2 months	2-3 Months	Total
Loans and Receivables				
Corporate/Entrepreneurial Loans	18.749	40.987	25.551	82.287
Consumer loans	598	113	72	783
Total	19.347	41.100	23.623	84.070

(*) The amounts in the unadjusted financial statements are presented.

3.2) Credit risk mitigation

a) Qualitative disclosure requirements related to credit risk mitigation techniques

It is taken into consideration that the collateralization process of the bank's lending processes may create a risk. In the bank guarantee policy, residual risks are managed by observing all the risks such as not being able to get the collateral received on time or turning it into cash, the guarantor refusing or delaying the payment, insufficient legal documents of the legal documents for obtaining the desired legal result.

The transactions that the bank makes in the context of market risk are not subjected as collateral.

Financial collaterals are taken into consideration in mitigating credit risk in the Bank and as a rule, real estate mortgages are not considered as collateral. Mortgage-backed receivables are a separate risk class and the financial collateral used in the Bank consists of cash blockage, public guarantee fund and borrowing of public debts.

b) Credit risk mitigation techniques - Overview

Current Period	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	27.117.320	1.873.864	1.250.795	1.280.636	808.337	-	-
Debt instruments	2.927.015	-	-	-	-	-	-
Total	30.044.335	1.873.864	1.250.795	1.280.636	808.337	-	-
Default	675.282	-	-	-	-	-	-

Prior Period ^(*)	Unsecured receivables: Amount assessed pursuant to TAS	Claims secured by guarantee	Collateralized portions of collateralized receivables	Receivables protected by financial guarantees	Collateralized portions of receivables protected by financial guarantees	Loans protected by credit derivatives	Collateralized portions of receivables protected by credit derivatives
Loans	16.386.570	1.437.476	998.648	1.283.498	894.287	-	-
Debt instruments	1.299.465	-	-	-	-	-	-
Total	17.686.035	1.437.476	998.648	1.283.498	894.287	-	-
Default	240.160	-	-	-	-	-	-

(*) The amounts in the unadjusted financial statements are presented

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3.3) Credit risk under standardized approach

a) Qualitative disclosures on banks' use of external credit ratings under the standardized approach for credit risk

The Bank uses the ratings issued by Fitch Ratings International Rating Agency in its risk classes for Receivables from Central Government or Central Banks, Receivables from Regional and Local Governments and Administrative Units and Non-Commercial, Receivables from Banks in the risk category, Fitch Ratings notes are used for receivables from resident banks and no rating agency notes are used for receivables from domestic resident banks. Country Notes used for Receivables from Central Government or Central Banks, Receivables from Regional or Local Governments and Administrative Units and Non-Commercial Enterprises are 3 in the Credit Quality Level, while the notes used in the risk classes of Banks and Intermediary Institutions are from 1 to 6 matched with credit quality levels.

b) Standard Approach - Exposure to credit risk and credit risk mitigation effects

Risk classes	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	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	Risk weighted amount	Risk weighted amount density
Exposures to central governments or central banks	4.559.048	-	5.334.261	36.491	575.422	11%
Exposures to regional governments or local authorities	-	-	33.126	4.978	19.052	50%
Exposures to public sector entities	26.537	3.459	26.536	1.699	28.096	100%
Exposures to multilateral development Banks	-	-	-	-	-	0%
Exposures to international organizations	-	-	-	-	-	0%
Exposures to institutions	4.194.333	57.053	4.194.332	31.917	1.215.161	29%
Exposures to corporates	11.565.094	8.812.943	11.159.498	6.088.935	16.649.558	97%
Retail exposures	2.245.181	2.377.277	1.842.440	1.219.227	2.214.229	72%
Exposures secured by residential property	1.375.833	57.934	1.375.834	40.101	495.577	35%
Exposures secured by commercial Real Estate	868.529	288.347	868.528	202.987	535.758	50%
Past-due loans	202.276	-	202.276	-	152.213	75%
Higher-risk categories by the Agency Board	41.924	3.577	41.923	3.577	68.250	150%
Exposures in the form of covered Bonds	-	-	-	-	-	0%
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	0%
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	0%
Other assets	765.841	-	765.841	-	347.113	45%
Investments in equities	-	-	-	-	-	0%
Total	25.844.596	11.600.590	25.844.595	7.629.912	22.300.429	67%

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c) Standard Approach: Receivables based on risk classes and risk weighted

Risk classes/Risk Weight	0%	10%	20%	35% (secured by real estate)	50% (secured by real estate)	50%	75%	100%	150%	200%	Others	Total credit risk exposure amount (after CCF and CRM)
Exposures to regional governments or local authorities	4.219.908	-	-	-	-	1.150.844	-	-	-	-	-	5.370.752
Exposures to regional governments or local authorities	-	-	-	-	-	38.104	-	-	-	-	-	38.104
Exposures to public sector entities	139	-	-	-	-	-	-	28.096	-	-	-	28.235
Exposures to multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to international organizations	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to banks and financial intermediaries	-	-	2.998.347	-	-	1.224.820	-	3.082	-	-	-	4.226.249
Exposures to corporates	390.831	-	98.254	-	-	258.881	-	16.500.467	-	-	-	17.248.433
Retail exposures	83.095	-	34.821	-	-	2.193	2.941.558	-	-	-	-	3.061.667
Exposures secured by residential property	-	-	-	1.415.935	-	-	-	-	-	-	-	1.415.935
Exposures secured by commercial real estate	-	-	-	-	1.071.515	-	-	-	-	-	-	1.071.515
Past-due loans	135	-	89	-	-	99.714	-	102.338	-	-	-	202.276
Higher-risk categories by the Agency Board	-	-	-	-	-	-	-	-	45.500	-	-	45.500
Exposures in the form of covered bonds	-	-	-	-	-	-	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	-	-	-	-	-	-	-	-
Exposures in the form of units or shares in collective investment undertakings (CIUs)	-	-	-	-	-	-	-	-	-	-	-	-
Investments in equities	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	418.728	-	-	-	-	-	-	347.113	-	-	-	765.841
Total	5.112.836	-	3.131.511	1.415.935	1.071.515	2.774.556	2.941.558	16.981.096	45.500	-	-	33.474.507

X. 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.

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

Notes and explanations in this section have been prepared in accordance with the Communiqué On Disclosures About Risk Management To Be Announced To Public By Banks that have been prepared by BRSA and published in Official Gazette numbered 29511 dated 23 October 2015 and became effective as of 31 March 2016. The following tables which have to be presented on a quarterly, semi annually and annually basis have not been presented since the Bank use the standard approach as of 30 September 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)

XI. EXPLANATION ON COUNTERPARTY CREDIT RISK

a) Qualitative disclosures about counterparty credit risk

In order to establish the counterparty credit risk that the bank may face, it is essential that risk measurement and monitoring activities are carried out and their results are taken into account in the strategic decision making process.

Within the scope of management of counterparty credit risk; monitoring and control functions of the counterparty credit risk in line with the structure, size and complexity of the products and activities of the counterparty.

The counterparty of the counterparty will ensure that the credit risk level is above the minimum limits set in the legal regulations style directing is essential.

Bank risk measurement system takes measures to ensure that the work is carried out in accordance with legal regulations, in a manner that is consistent with its fields of activity and product range, is reliable, In this context, counterparty credit risk measurement and monitoring activities for at least; calculation of counterparty credit risk weighted asset and legal capital liability and monitoring of Bank’s compliance level with allocated limits is done.

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b) Evaluation of counterparty credit risk according to measurement methods

		Replacement cost	Potential future exposure	EEPE ^(*)	Alpha used for computing regulatory EAD	EAD post CRM	Risk Weighted Amounts
1	Standardized Approach - CCR (For Derivatives)	17.498	13.773		1,4	31.271	15.508
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)					105.559	21.112
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	Total						36.620

(*) Effective expected position amount

c) Capital requirement for loan valuation adjustments

		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	31.271	8.850
4	Total subject to the CVA capital charge	31.271	8.850

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d) Standard approach - counterparty credit risk by risk classes and risk weights

Risk weights Risk classes	0%	10%	20%	50%	75%	100%	150%	Other	Total credit risk ^(*)
Claims from central governments and central banks	-	-	-	-	-	-	-	-	-
Claims from regional and local governments	-	-	-	-	-	-	-	-	-
Claims from administration and non-commercial entity	-	-	-	-	-	-	-	-	-
Claims from multilateral development banks	-	-	-	-	-	-	-	-	-
Claims from international organizations	-	-	-	-	-	-	-	-	-
Claims from banks and financial intermediaries	-	-	106.083	30.688	-	-	-	-	36.561
Corporates	-	-	-	-	-	58	-	-	58
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	-	-	-	-	-	-	-	-	-
Total ^(*)	-	-	106.083	30.688	-	58	-	-	36.619

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

e) Risk classification and counterparty credit risk on the basis of Default Probability (DP) (IRB)

None.

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f) Collaterals for counterparty credit risk

	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	-	-	-	-	19.135	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	105.559
Total	-	-	-	-	19.135	105.559

g) Credit Derivatives

None.

h) Risk Weighted Amounts (RWA) of the Counterparty Credit Risks within the scope of Internal Model Method

None.

i) Risks to the Central Counterparty

None.

5. Securitization Explanations

As of 31 December 2019, there is no securitization position in the Bank (31 December 2018: None).

6. Explanations on Market risk

a) Qualitative information to be disclosed to the public regarding market risk

The Bank ensures effective management of the risk of concentration in the market due to market risk and market risk components in line with the volume, nature and complexity of its operations, taking into account the best practices, within the framework of BRSA regulations.

The Bank ensures that measurement, monitoring, limiting, stress testing and scenario analysis work in compliance with the structure and complexity of its positions with respect to the management of the market risk, and report the results. Evaluation of new products and services in terms of market risk is essential.

In this context, as a minimum;

- The accounts and positions of the bank exposed to market risk and the market developments affecting the value of these accounts and positions are monitored on a minimum daily basis,
- Calculation of the amount subject to market risk of the Bank under the purchase and sale accounts,
- Analysis of the effects of ordinary and extraordinary up and down movements in the markets on the Bank's accounts and positions exposed to market risk,
- Retrospective test analysis of internal models used for monitoring purposes in the calculation of the amount subject to market risk,
- Regular calculation and follow-up of risk limits in relation to market risk,

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In the Bank, the Board of Directors, the Audit Committee and the General Manager fulfill the duties, powers and responsibilities within the scope of market risk management in the framework defined in the legislation. All units, including those within the scope of Internal Systems, fulfill their duties, powers and responsibilities within the framework of market risk management within the framework of the Regulation on Internal Systems of Banks and the Internal Capital Adequacy Assessment Process and their Regulations.

In order to be able to demonstrate the market risk that the bank may face, it is essential that the implementation and results of risk measurement and monitoring activities be taken into account in the Bank's strategic decision-making process.

In the framework of these principles, the following minimum analyzes shall be made for measurement and monitoring activities.

As a minimum under Market Risks:

- Standard Method: Market Risk Reporting Set published by BRSA in accordance with the disclosures.
- Risk Exposure Value Analysis: Historical Simulation, Parametric, EWMA or using a different method deemed appropriate by the Bank.

Internal Capital Requirement: The parameters, which are determined by BRSA and/or by the Bank, and which could affect the financial power of the Bank and the stress tests and/or scenario analysis related to these parameters and the capital level that compensates the risks that the Bank has been exposed or would be exposed are calculated with a predictive perspective with the appropriate methods.

b) Standard Approach

		Risk Weighted Amounts
	Outright products	-
1	Interest rate risk (general and specific)	7.025
2	Equity risk (general and specific)	-
3	Foreign exchange risk	176.545
4	Commodity risk	-
	Options	-
5	Simplified approach	-
6	Delta-plus method	-
7	Scenario approach	-
8	Securitization	-
9	Total	183.570

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 as of 31 December 2019 since the Bank does not use the standard approach for the calculation of market risks:

Quantitative information for public disclosure for the banks using Internal Model Approach

Market Risk RWA (Risk Weighted Amounts) Conversion Table for the Internal Model Approach

Internal Model Approach for commerce account

The comparison between Value at Risk expectations and Profit and Loss

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7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Bank is calculated on an annual basis by the Basic Indicator Method. In the Basic Indicator Method, the parameter that determines the operational risk base amount is gross. Annual gross income consists of net profit share income, dividend income from net fees and commissions income, shares other than subsidiaries and participation shares, addition of trading income/loss (net) and other operating income, Profit/loss, extraordinary income and insurance compensations.

	31.12.2016	31.12.2017	31.12.2018	Total/Number of positive gross income years	Rate (%)	Total
Gross income	232.815	482.004	892.243	535.687	15	80.353
Amount subject to Operational Risk	-	-	-	-	-	1.004.413

XII. EXPLANATIONS ON OPERATING SEGMENTS

Organizational and internal reporting structure of the Bank is determined in line with TFRS 8 “Turkish Accounting Standard about Operating Segments”.

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

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Table for Segment Reporting:

Current Period 1 January - 31 December 2019	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	218.165	2.676.438	285.444	414.410	3.594.457
Profit Shares from Loans	218.165	2.676.438	-	-	2.894.603
Profit Shares from Banks	-	-	574	-	574
Profit Shares from Securities	-	-	245.733	-	245.733
Other Profit Shares	-	-	39.137	414.410	453.547
Profit Shares Expense	817.982	705.564	681.355	20.631	2.225.532
Profit Shares Expense on Participation Funds	817.982	705.564	5.296	-	1.528.842
Profit Shares Expense on Funds Borrowed	-	-	659.132	-	659.132
Profit Shares Expense on Money Market Transactions	-	-	12.323	-	12.323
Profit Shares Expense on Securities Issued	-	-	4.604	-	4.604
Other Profit Shares Expense	-	-	-	20.631	20.631
Net Profit Shares Income/Expense	(599.817)	1.970.874	(395.911)	393.779	1.368.925
Net Fees and Commission Income/Expense	16.937	114.436	-	(36.921)	94.452
Fees and Commissions Received	16.937	114.436	-	11.952	143.325
Fees and Commissions Paid	-	-	-	48.873	48.873
Dividend Income	-	-	17.762	-	17.762
Trading Income/Loss (Net)	-	-	69.478	-	69.478
Other Operating Income	-	431	-	158.577	159.008
Provision for Loans or Other Receivables Losses	39.535	394.513	-	58.123	492.171
Other Provision expense	-	-	-	87.244	87.244
Personnel Expenses	-	-	-	183.767	183.767
Other Operating Expense	-	-	-	241.143	241.143
Income Before Tax	(622.415)	1.691.228	(308.671)	(54.842)	705.300
Tax Provision	-	-	-	(188.565)	(188.565)
Net Profit/Loss	(622.415)	1.691.228	(308.671)	(243.407)	516.735
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks and Other Financial Institutions ^(*)	-	-	916.283	-	916.283
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	2.386.937	-	2.386.937
Loans	2.159.061	21.671.460	5.160.663	-	28.991.184
Financial Assets Measured at Amortised Cost	-	-	547.750	-	547.750
Derivative Financial Assets	-	-	17.496	-	17.496
Associates, Subsidiaries and Joint Ventures	-	-	100	-	100
Other Assets ^(*)	-	-	-	3.532.424	3.532.424
Total Segment Assets	2.159.061	21.671.460	9.029.229	3.532.424	36.392.174
SEGMENT LIABILITIES					
Funds Collected	15.884.216	9.573.029	-	-	25.457.245
Derivative Financial Liabilities	-	-	12.479	-	12.479
Funds Borrowed	-	-	5.978.670	-	5.978.670
Money Market Funds	-	-	19.135	-	19.135
Securities Issued (Net)	-	-	-	-	-
Provisions	-	-	-	235.279	235.279
Other Liabilities	-	-	-	1.522.538	1.522.538
Shareholders' Equity	-	-	-	3.166.828	3.166.828
Total Segment Liabilities	15.884.216	9.573.029	6.010.284	4.924.645	36.392.174

^(*) Expected credit losses are included.

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Table for Segment Reporting:

Prior Period ^(*) 1 January - 31 December 2018	Retail Banking	Corporate/ Entrepreneurial Banking	Treasury/ Investment Banking	Other/ Undistributed	Total
OPERATING INCOME/EXPENSE					
Profit Shares Income	191.401	1.661.127	181.062	294.792	2.328.382
Profit Shares from Loans	191.401	1.661.127	-	1.463	1.853.991
Profit Shares from Banks	-	-	7.039	-	7.039
Profit Shares from Securities	-	-	136.942	-	136.942
Other Profit Shares	-	-	37.081	293.329	330.410
Profit Shares Expense	556.583	535.822	370.548	8	1.462.961
Profit Shares Expense on Participation Funds	556.583	535.822	6.838	-	1.099.243
Profit Shares Expense on Funds Borrowed	-	-	305.482	-	305.482
Profit Shares Expense on Money Market Transactions	-	-	24.801	-	24.801
Profit Shares Expense on Securities Issued	-	-	33.427	-	33.427
Other Profit Shares Expense	-	-	-	8	8
Net Profit Shares Income/Expense	(365.182)	1.125.305	(189.486)	294.784	865.421
Net Fees and Commission Income/Expense	9.699	66.607	-	1.373	77.679
Fees and Commissions Received	9.699	66.607	-	26.511	102.817
Fees and Commissions Paid	-	-	-	25.138	25.138
Dividend Income	-	-	923	-	923
Trading Income/Loss (Net)	-	-	53.498	-	53.498
Other Operating Income	-	64	-	119.757	119.821
Provision for Loans or Other Receivables Losses	24.413	213.567	-	108.639	346.619
Other Provision expense	-	-	-	50.036	50.036
Personnel Expenses	-	-	-	137.857	137.857
Other Operating Expense	-	-	-	167.383	167.383
Income Before Tax	(379.896)	978.409	(135.065)	(48.001)	415.447
Tax Provision	-	-	-	(90.214)	(90.214)
Net Profit/Loss	(379.896)	978.409	(135.065)	(138.215)	325.233
SEGMENT ASSETS					
Financial Assets at FV Through P/L	-	-	-	-	-
Banks	-	-	802.212	-	802.212
Financial Assets Measured at Fair Value Through Other Comprehensive Income	-	-	1.304.375	-	1.304.375
Loans	1.614.565	14.124.399	2.000.461	3.141.804	20.881.229
Financial Assets Measured at Amortised Cost)	-	-	-	-	-
Derivative Financial Assets	-	-	9.562	-	9.562
Associates, Subsidiaries and Joint Ventures	-	-	46.878	-	46.878
Other Assets	-	-	-	2.433.100	2.433.100
Total Segment Assets	1.614.565	14.124.399	4.163.488	5.574.904	25.477.356
SEGMENT LIABILITIES					
Funds Collected	10.471.740	4.679.358	-	-	15.151.098
Derivative Financial Liabilities	-	-	6.145	-	6.145
Funds Borrowed	-	-	6.011.425	-	6.011.425
Money Market Funds	-	-	864.414	-	864.414
Securities Issued (Net)	-	-	179.895	-	179.895
Provisions	-	-	-	133.633	133.633
Other Liabilities	-	-	-	585.849	585.849
Shareholders' Equity	-	-	-	2.544.897	2.544.897
Total Segment Liabilities	10.471.740	4.679.358	7.061.879	3.264.379	25.477.356

^(*) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

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XIII. EXPLANATIONS ON PRESENTATION OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE**a) Information regarding the fair value of financial assets and liabilities:**

Current Period	Book Value	Fair Value
Financial Assets	32.842.289	32.842.289
Due from Interbank Money Market	-	-
Banks	916.418	916.418
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.386.937	2.386.937
Financial Assets Measured at Amortised Cost	547.750	547.750
Loans	28.991.184	28.991.184
Financial Liabilities	31.595.227	31.595.227
Bank Deposits	123	123
Other Deposits	25.457.122	25.457.122
Funds Borrowed from Other Financial Institutions	5.978.670	5.978.670
Issued Marketable Securities	-	-
Miscellaneous Payables	159.312	159.312
Prior Period	Book Value	Fair Value
Financial Assets	22.988.310	22.988.310
Due from Interbank Money Market	-	-
Banks	802.706	802.706
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.304.375	1.304.375
Financial Assets Measured at Amortised Cost	-	-
Loans	20.881.229	20.881.229
Financial Liabilities	21.554.673	21.554.673
Current account and funds collected from banks via participation accounts	46.216	46.216
Other current and profit sharing accounts	15.104.882	15.104.882
Funds Borrowed from Other Financial Institutions	6.011.425	6.011.425
Issued Marketable Securities	179.895	179.895
Miscellaneous Payables	212.255	212.255

Due from Interbank Money Market, Banks and Banks deposits considered to be equal to carrying values of their fair values because Due from Interbank Money Market, Banks and Banks deposits mostly consist of short term transactions.

Market price differences are considered on determining the financial assets measured at fair value through other comprehensive income. If the price formation does not occur within the active market conditions, indicator prices calculated by Central Bank are considered instead.

The fair value of loans and other deposits represent the sum of the acquisition cost and accumulated profit share accruals.

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b) Information on fair value measurements recognized in the financial statements:

According to TFRS 7 “Financial Instruments: Explanations” Standard, the accounts recognized with the fair value in the balance sheet should be presented and classified sequentially in the related footnotes. Respectively, such financial instruments are classified in three levels representing the importance of the data used during for the measurement of fair values. At level one, the financial instruments whose fair values are determined with the recorded prices in the active markets for the assets and liabilities with identical fair values; at level two, the financial instruments whose fair value is based on the directly or indirectly observable market indicators and at level three; the financial instruments whose fair value is not based on the directly or indirectly observable market indicators are considered. The financial instruments which are recognized with their fair values at the Bank’s balance sheet, are presented with respect to such basis of classification in the table below.

Current Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	-	-	-
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	2.077.548	301.717	7.672	2.386.937
Equity Securities	-	-	7.672	7.672
Government Debt Securities	-	-	-	-
Other Marketable Securities	2.077.548	301.717	-	2.379.265
Derivative Financial Assets	-	17.496	-	17.496
Total Assets	2.077.548	319.213	7.672	2.404.433
Derivative Financial Liabilities	-	12.479	-	12.479
Total Liabilities	-	12.479	-	12.479
Prior Period	Level 1	Level 2	Level 3	Total
Financial Assets at FV Through P/L	-	-	-	-
Government Debt Securities	-	-	-	-
Share Certificates	-	-	-	-
Other Marketable Securities	-	-	-	-
Financial Assets Measured at Fair Value Through Other Comprehensive Income	1.178.448	125.927	-	1.304.375
Equity Securities	-	4.910	-	4.910
Government Debt Securities	-	-	-	-
Other Marketable Securities	1.178.448	121.017	-	1.299.465
Derivative Financial Assets	-	9.562	-	9.562
Total Assets	1.178.448	135.489	-	1.313.937
Derivative Financial Liabilities	-	6.145	-	6.145
Total Liabilities	-	6.145	-	6.145

XIV. EXPLANATIONS ON ACTIVITIES CARRIED OUT ON BEHALF AND ACCOUNT OF OTHER PARTIES

The Bank does not provide trading, custody and fund management services on behalf of and account of the customers. The Bank does not make any lenient transaction contracts.

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SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO UNCONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash/Foreign Currency	28.617	50.616	22.196	30.965
Central Bank of the Republic of Turkey	71.522	2.404.187	311.614	1.642.538
Other	-	339.497	-	-
Total	100.139	2.794.300	333.810	1.673.503

1.a.1) Information on required reserves:

According to the CBRT's Communiqué No: 2013/15 on Required Reserves, the Bank establishes a reserve requirement at the CBRT for Turkish currency and foreign currency liabilities. Required reserves can be kept in Turkish Lira, USD, EUR and standard gold according to the "Communiqué on Required Reserves" at the CBRT. According to the principles of the communiqué dated 9 December 2019 and numbered 2019/19, the CBRT pays dividends to Turkish Lira required reserves.

As of 31 December 2019, the valid rates for required reserves established in the CBRT are between 1% and 7% according to the maturity structure in Turkish currency (31 December 2018: between 1.5% and 8%); in foreign currency, it is between 5% and 21% depending on the maturity structure (31 December 2018: between 4% and 20%).

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	38	6	299.510	5.190
Unrestricted Time Deposit	-	-	-	-
Restricted Time Deposit	-	-	-	-
Required Reserves ⁽¹⁾	71.484	2.404.181	12.104	1.637.348
Total	71.522	2.404.187	311.614	1.642.538

⁽¹⁾ TL 180.501 of the current period's FC required reserve is the part of the TL required reserves that are held in FC (31 December 2018: TL 731.486).

2. Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks				
Domestic Banks	5.205	332.276	6.153	634.187
Foreign Banks	-	578.937	-	162.366
Foreign Head Office and Branches	-	-	-	-
Total	5.205	911.213	6.153	796.553

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

	Current Period	Prior Period
Assets Subject to Repurchase Agreements	16.497	834.371
Assets Blocked/Given as Collateral	84.643	79.527
Total ⁽²⁾	101.140	913.898

⁽²⁾ Accruals and provisions for impairment are not included.

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

	Current Period	Prior Period
Debt Securities	2.380.681	1.335.442
Quoted in Stock Exchange	2.078.312	1.211.802
Not Quoted in Stock Exchange	302.369	123.640
Share Certificates	7.672	4.897
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange ^(*)	7.672	4.897
Provision for Impairment (-)	1.416	35.977
Ziraat Finansal Kiralama A.Ş. merging effect	-	13
Total	2.386.937	1.304.375

^(*) Not quoted on a stock exchange includes Credit Guarantee fund amounting to TL 7.672 (31 December 2018: TL 4.897).

4. Expected Loss Provisions

As of 31 December 2019, an expected loss provisions (first stage) of TL 174 has been calculated for the banks item. (31 December 2018: 834).

5. Information on derivative financial assets

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward Transactions	27	17.469	13	43
Swap Transactions	-	-	-	-
Futures Transactions	-	-	-	-
Options	-	-	-	-
Other	-	-	-	-
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	-	9.506
Total	27	17.469	13	9.549

6. Information related to loans:

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

	Current Period		Prior Period	
	Cash	Non-Cash	Cash	Non-Cash
Direct Loans Granted to Shareholders	3.097.903	-	1.973.285	-
<i>Corporate Shareholders</i>	3.097.903	-	1.973.285	-
<i>Real Person Shareholders</i>	-	-	-	-
Indirect Loans Granted to Shareholders	-	-	-	-
Loans Granted to Employees	2.372	-	2.513	-
Total ^(*)	3.100.275	-	1.975.798	-

^(*) Includes rediscount amounts.

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

	Standard Loans and Other Receivables	Loans Under Close Monitoring	
		Not Under the Scope of Restructuring or Rescheduling	Restructured or Rescheduled Loans with revised contract terms Refinancing
Cash Loans			
Loans			
Export Loans	1.226.789	55.944	-
Import Loans	85.536	-	-
Commercial Loans	13.668.959	401.691	748.347
Consumer Loans	2.149.003	8.576	1.482
Credit Cards	-	-	-
Loans Given to Financial Sector	5.160.663	-	-
Other	1.118.317	84.288	-
Other Receivables	-	-	-
Profit Share Income Accruals	425.989	44.146	53.652
Total	23.835.256	594.645	803.481
		Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses		49.451	-
Significant Increase in Credit Risk		-	56.622
		Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
No. of extensions			
1 or 2 Times Extended		-	803.481
3 - 4 or 5 Times Extended		-	-
Over 5 Times Extended		-	-
Total		-	803.481
		Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
Extension Periods			
0 - 6 Months		-	57
6 Months - 12 Months		-	6.952
1 - 2 Years		-	352.578
2 - 5 Years		-	334.045
5 Years and Over		-	109.849
Total		-	803.481

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d) Information on consumer loans, individual credit cards, personnel loans and personnel credit cards:

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

Prior Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	4.966	1.598.554	1.603.520
Real Estate Loans	1.203	1.453.270	1.454.473
Vehicle Loans	1.665	86.199	87.864
Consumer Loans	2.098	59.085	61.183
Other	-	-	-
Consumer Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Consumer Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Retail Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Retail Credit Cards-FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Loans-TL	230	2.269	2.499
Housing Loans	-	-	-
Vehicle Loans	-	102	102
Consumer Loans	230	2.167	2.397
Other	-	-	-
Personnel Loans-FC Indexed	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Loans-FC	-	-	-
Housing Loans	-	-	-
Vehicle Loans	-	-	-
Consumer Loans	-	-	-
Other	-	-	-
Personnel Credit Cards-TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Personnel Credit Cards-FC	-	-	-
Installment based	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Real Person)	-	-	-
Overdraft Account-FC (Real Person)	-	-	-
Total ^(*)	5.196	1.600.823	1.606.019

(*) Dividend rediscount amounting to TL 8.546 not included in the table.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

Current Period	Short-Term	Medium and Long-Term	Total
Installment Commercial Loans-TL	43.631	249.623	293.254
Business Loans	1.000	17.657	18.657
Vehicle Loans	42.631	231.966	274.597
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans-Indexed to FC	-	11.999	11.999
Business Loans	-	-	-
Vehicle Loans	-	11.999	11.999
Consumer Loans	-	-	-
Other	-	-	-
Installment Commercial Loans -FC	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	24.730	24.730
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -TL	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Corporate Credit Cards -FC	-	-	-
With Installment	-	-	-
Without Installment	-	-	-
Overdraft Account-TL (Legal Entity)	-	-	-
Overdraft Account-FC (Legal Entity)	-	-	-
Total	43.631	286.352	329.983

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

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

e) Loans according to types of borrowers:

	Current Period	Prior Period
Public	718.900	279.744
Private	23.990.695	16.138.809
Profit Share Income Accruals and Rediscount	523.787	585.277
Total	25.233.382	17.003.830

^(*) Non-performing loans are not included.

f) Breakdown of domestic and international loans:

	Current Period	Prior Period
Domestic Loans	23.677.914	16.388.393
Foreign Loans	1.031.681	30.160
Profit Share Income Accruals of Loans	523.787	585.277
Total ^(*)	25.233.382	17.003.830

^(*) Non-performing loans are not included.

g) Loans Granted to subsidiaries and participations:

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

ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2019

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

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

	Current Period	Prior Period
Loans and receivables with limited collectability	136.955	102.406
Loans and receivables with doubtful collectability	77.186	57.787
Uncollectible loans and receivables	253.632	243.636
Total	467.773	403.829

h) Information on lease receivables

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	71.065	70.080	10.684	10.397
1-5 year	3.611.355	3.088.196	551.183	471.225
More than 5 years	860.343	498.090	282.163	222.212
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	3.866.937	3.444.805
Total	4.542.763	3.656.366	4.710.967	4.148.639

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

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

As of 31 December 2019 the bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled, is TL 29.542. (31 December 2018: None)

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Ending balance of prior period	198.878	35.401	430.944
Additions in the current period (+) ⁽¹⁾	136.981	277.268	250.609
Transfers from other categories of non-performing loans (+)	-	110.045	67.186
Transfers to other categories of non-performing loans (-)	110.045	67.186	-
Collections in the current period (-)	32.275	34.911	37.469
Write offs (-)	37.984	125.085	387.075
Corporate and commercial loans	37.984	125.085	387.075
Retail loans	-	-	-
Credit cards	-	-	-
Other	-	-	-
Ending balance of the current period	155.555	195.532	324.195
Expected Loss Provision (Stage 3)	136.955	77.186	253.632
Net balance at the balance sheet	18.600	118.346	70.563

⁽¹⁾ It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

As of 31 December 2019, the Bank has no foreign currency non-performing loans originated from foreign currency indexed loans (31 December 2018: None).

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

	Group III: Loans and other receivables with limited collectability	Group IV: Loans and other receivables with doubtful collectability	Group V: Uncollectible loans and other receivables
Current Period (Net)	18.600	118.346	70.563
Loans to Real Persons and Legal Entities (Gross)	155.555	195.532	324.195
Specific Provisions (-)	136.955	77.186	253.632
Loans to Real Persons and Legal Entities (Net)	18.600	118.346	70.563
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-
Prior Period (Net)	128.113	17.011	116.270
Loans to Real Persons and Legal Entities (Gross)	198.878	35.401	430.944
Specific Provisions (-)	70.765	18.390	314.674
Loans to Real Persons and Legal Entities (Net)	128.113	17.011	116.270
Banks (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Banks (Net)	-	-	-
Other Loans and Receivables (Gross)	-	-	-
Specific Provisions (-)	-	-	-
Other Loans and Receivables (Net)	-	-	-

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

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

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 OF 31 DECEMBER 2019

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

7. Financial assets at amortized cost:

a) Information on government debt securities measured at amortized cost

	Current Period	Prior Period
Debt Securities	547.750	-
Quoted in Stock Exchange	-	-
Not Quoted in Stock Exchange	-	-
Provision of Impairment (-)	-	-
Total	547.750	-

⁽¹⁾ The Bank has calculated the fair value of these borrowings in accordance with TFRS 9 and TFRS 13 by using the prices of similar financial assets at the balance sheet date and reflected them to the financial statements.

b) Information on financial assets valued at amortized cost

None (31 December 2018: None).

c) Information on government debt securities measured at amortized cost

As of 31 December 2019, government debt securities measured at amortized cost of the Bank amounted to TL 547.750 (31 December 2018: None).

	Current Period	Prior Period
Balances at Beginning of Period	-	-
Foreign Currency Differences on Monetary Assets	7.757	-
Purchases during the Period ⁽¹⁾	539.993	-
Disposals through Sales/Redemptions	-	-
Provision of Impairment (-)	-	-
Balances at End of Period	547.750	-

⁽¹⁾ Rediscounts are shown in “Purchases during the period” line.

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

As of 31 December 2019, the amount of assets due to trading is TL 104.069 (31 December 2018: TL 5.222).

	Current Period	Prior Period
Beginning Balance (Net)	4.259	3.561
Changes During the Period (Net)	99.810	698
Amount of depreciation	-	-
Provision for Impairment	-	-
Financial lease merger effect	-	963
Period End Balance (Net)	104.069	5.222

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

9. Equity Investments

a) Information about investments in associates (Net):

All of the shares with a nominal value of 14.400 TL, corresponding to 24% share in the current issued capital of Ziraat Yatırım Menkul Değerler A.Ş. was transferred to Ziraat Bankası A.Ş. (31 December 2018: None).

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2019**

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

b) Information on subsidiaries (Net):**b.1) Information on consolidated subsidiaries:**

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

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/ loss	Fair Value	Needed shareholders Equity
1 (*)	2.483,166	73	-	381,137	-	6	17	-	-
2 (*)	73	68	-	5,696	-	26	(8)	-	-

(*) 31 December 2019 Audited financial statements used.

	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 (%)	-	-

9. Equity Investments**b.2) Sectoral information on unconsolidated subsidiaries and the related carrying amounts:**

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

As of 31 December 2019, the Bank has no subsidiaries are quoted on the stock exchange (31 December 2018: None).

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

(31 December 2018: None).

10. Explanations on property and equipment:

	Immovable	Right of Use of Immovable	Movable	Right of Use of Movable	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:							
Cost	-	-	61.928	-	33.052	-	94.980
Accumulated Depreciation (-)	-	-	27.657	-	14.664	-	42.321
Net Book Value	-	-	34.271	-	18.388	-	52.659
Current Period End:	-	-	-	-	-	-	-
Net Book Value at the Beginning of the Period	-	-	34.271	-	18.388	-	52.659
Change During the Period (Net) ^(*)	-	93.227	(71)	9.961	1.821	-	104.938
Cost	-	113.603	9.211	14.072	9.448	-	146.334
Amortization (Net) (-)	-	20.376	9.282	4.111	7.627	-	41.396
Provision for Impairment (-)	-	-	-	-	-	-	-
Net Currency Translation from Foreign Subsidiaries (-)	-	-	-	-	-	-	-
Cost at Period End	-	113.603	71.139	14.072	42.500	-	241.314
Accumulated Depreciation at Period End (-)	-	20.376	36.939	4.111	22.291	-	83.717
Provision for Impairment (-)	-	-	-	-	-	-	-
Closing Net Book Value	-	93.227	34.200	9.961	20.209	-	157.597

^(*) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

For the impairment, which are either recorded or canceled in the current period and each or some of them are not important for the whole of the financial statements, the sum of the impairment amounts that are separated or canceled by the related asset groups and the events and conditions that cause them: None.

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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	143.633	22.992	120.641	93.038	12.642	80.396
Financial lease merger effect	-	-	-	1.762	986	776
Total	143.633	22.992	120.641	94.800	13.628	81.172

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

12. Information on the investment properties:

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

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

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

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

14. Information on deferred tax asset:

As at 31 December 2019, deferred tax liabilities of TL 33.127 (31 December 2018: TL 2.627) and deferred tax assets of TL 75.280 TL (31 December 2018: TL 52.497) have been offset and TL 42.153 deferred tax asset (31 December 2018: TL 54.954 deferred tax asset) is reflected in the financial statements.

	Current Period	Prior Period
Deferred tax asset	75.280	52.497
Deferred tax liability	33.127	2.627
Ziraat Finansal Kiralama A.Ş. merging effect, Deferred tax assets	-	5.084
Net deferred tax asset	42.153	54.954
Net deferred tax income/loss	4.150	626
	Current Period	Prior Period
Severance pay	6.868	3.850
Short-term employee rights	2.277	2.839
Revaluation of financial assets	9.770	8.395
Other	23.238	39.870
Net deferred tax asset	42.153	54.954
	Current Period	Prior Period
As of January 1	54.954	14.093
Deferred tax Income/(Loss) (Net)	13.659	22.034
Deferred Tax Accounted for Under Equity	(26.460)	6.270
IFRS 9 Transition Effect	-	7.473
Ziraat Finansal Kiralama A.Ş. merging effect	-	5.084
Deferred tax asset	42.153	54.954

15. Information on other assets:

As of 31 December 2019, other assets of banks not to exceed total balance sheet of 10%, exclude off-balance sheet liabilities.

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**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2019**

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 9 months	Up to 1 year	1 year and over	Accumulated profit sharing accounts	Total
I. Real persons current accounts-TL	210.639	-	-	-	-	-	-	-	210.639
II. Real persons profit sharing accounts TL	-	526.001	2.948.826	43.992	-	42.916	193.315	-	3.755.050
III. Other current accounts-TL	517.046	-	-	-	-	-	-	-	517.046
Public sector	73.337	-	-	-	-	-	-	-	73.337
Commercial sector	418.768	-	-	-	-	-	-	-	418.768
Other institutions	24.611	-	-	-	-	-	-	-	24.611
Commercial and other institutions	320	-	-	-	-	-	-	-	320
Banks and participation banks	10	-	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	131.511	2.740.290	569.720	-	205.889	118.404	-	3.765.814
Public sector	-	2.668	495.707	421.827	-	61.901	-	-	982.103
Commercial sector	-	119.643	1.748.933	38.685	-	80.988	10.913	-	1.999.162
Other institutions	-	9.200	455.352	109.208	-	63.000	107.491	-	744.251
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	40.298	-	-	-	-	-	40.298
V. Real persons current accounts-FC	347.441	-	-	-	-	-	-	-	347.441
VI. Real persons profit sharing accounts-FC	-	331.243	2.000.912	54.701	-	50.881	355.122	-	2.792.859
VII. Other current accounts-FC	1.183.202	-	-	-	-	-	-	-	1,183,202
Commercial residents in Turkey	1,168,785	-	-	-	-	-	-	-	1,168,785
Commercial residents in Abroad	8,509	-	-	-	-	-	-	-	8,509
Banks and participation banks	5,908	-	-	-	-	-	-	-	5,908
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	-	-	-	-	-	-	-	-	-
Foreign banks	5,908	-	-	-	-	-	-	-	5,908
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
VIII. Profit sharing accounts- FC	-	110.668	1.701.594	91.086	-	174.589	110.506	-	2,188,443
Public sector	-	674	12.007	-	-	-	-	-	12,681
Commercial sector	-	109.994	1,524,756	91,044	-	174,589	110,506	-	2,010,889
Other institutions	-	-	164,789	42	-	-	-	-	164,831
Commercial and other institutions	-	-	42	-	-	-	-	-	42
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	123.111	-	257.538	4.514	-	2.333	3.108	-	390.604
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total I+II+.....+IX+X+XI)	2.381.439	1.099.423	9.649.160	764.013	-	476.608	780.455	-	15.151.098

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a.2) Exceeding Amounts of Insurance Limit:

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

	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit	Under the guarantee of saving deposit insurance	Exceeding the limit of saving deposit
	Current Period	Prior Period	Current Period	Prior Period
Real persons current and profit sharing accounts that are not subject to commercial activities	5.251.128	2.956.961	7.383.152	4.505.214
TL accounts	3.496.444	2.123.545	2.657.587	1.842.492
FC accounts	1.754.684	833.416	4.725.565	2.662.722
Foreign branches' deposits under foreign authorities' insurance	-	-	-	-
Off-shore banking regions' under foreign authorities' insurance	-	-	-	-

ii. Amounts which are not within the scope of insurance:

Current and Profit Share Accounts of the real persons who are not within the scope of Saving Deposits Insurance Fund:

	Current Period	Prior Period
Foreign branches' profit sharing accounts and other accounts	-	-
Profit sharing accounts and other accounts of controlling shareholders and profit sharing accounts of their mother, father, spouse, children in care	-	-
Profit sharing account and other accounts of President and Members of Board of Directors, CEO and Vice Presidents and profit sharing accounts of their mother, father, spouse and children in care	770	520
Profit sharing account and other accounts within the scope of the property holdings derived from crime defined in article 282 of Turkish Criminal Law No: 5237 dated 26 September 2004	-	-
Profit sharing accounts in participation banks which are established in Turkey in order to engage in off-shore banking activities solely	-	-

2. Information on funds borrowed:

a) Information on banks and other financial institutions:

	Current Period		Prior Period	
	TL	FC	TL	FC
Borrowings from the CBRT	-	-	-	-
From Domestic Banks and Institutions	2.857.534	1.498.426	1.791.870	3.704.193
From Foreign Banks, Institutions and Funds	-	1.622.710	-	515.362
Total	2.857.534	3.121.136	1.791.870	4.219.555

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b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	2.516.784	179.422	1.791.870	2.930.827
Medium and Long-term	340.750	2.941.714	-	1.288.728
Total	2.857.534	3.121.136	1.791.870	4.219.555

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:

70% of liabilities consists of current and share profit account.

3. Funds provided under repurchasing agreements:

	Current Period		Prior Period	
	TL	FC	TL	FC
Domestic	19.135	-	864.414	-
Financial Institutions	19.135	-	864.414	-
Abroad	-	-	-	-
Financial Institutions	-	-	-	-
Total	19.135	-	864.414	-

4. Information on securities issued:

None (31 December 2018: TL 179.895).

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

None (31 December 2018:None)

6. Information on derivative financial liabilities:

	Current Period		Prior Period	
	TL	FC	TL	FC
Forward transactions	19	12.460	-	6.145
Swap transactions	-	-	-	-
Futures transaction	-	-	-	-
Options transaction	-	-	-	-
Other	-	-	-	-
Total	19	12.460	-	6.145

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7. Information on Financial Lease Obligations:

	Current Period		Prior Period	
	Gross	Net	Gross	Net
Less than 1 year	4.342	3.953	422	415
Between 1-5 years	64.193	46.451	-	-
More than 5 years	123.525	59.655	-	-
Total	192.060	110.059	422	415

8. Information on provisions:

Information on general provisions:

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

31 December 2019 Provisions related with foreign currency evaluation difference of foreign currency indexed loans and financial lease obligation is none. (31 December 2018: TL 202).

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

Specific provisions for indemnified non-cash loans amount to TL 18.452 (31 December 2018: TL 5.888).

c) Information on other provisions:

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

the accompanying unconsolidated financial statement as at 31 December 2019 includes a general reverse of total TL 80.000, of which TL 30.000 had been recognized as expense in the prior period, and TL 50.000 was recognized as expense in the current period, which is provided by the Bank management for the possible effects of the negative circumstances which may arise in the economy or market conditions. (31 December 2018: TL 30.000)

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

According to article 19 of regulation on procedures and principles for determination of qualifications of loans and other receivables and provision by banks, other provisions amounting to TL 64.031 is reserved to use for general loan loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund (31 December 2018: TL 48.204).

The Bank has provided specific provisions amounting to TL 18.452 (31 December 2018: TL 5.888) for non-cash loans that are not indemnified, amounting TL 19.923 (31 December 2018: TL 20.110) for the expected credit loss for stage 1 and 2 non-cash loans and amounting TL 6.121 for other provisions (31 Aralık 2018: TL 6.121).

c.3) Information on litigations provisions

A provision of TL 17.038 has been set aside in the financial statements for lawsuits that have not yet been finalized against the bank (31 December 2018: TL 6.085).

d) Information on provisions for employee benefits:

d.1) Employment termination benefits and unused vacation rights

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

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

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

	Current Period	Prior Period
Discount Rate (%)	12,10%	16,30%
Inflation	8,20%	12,00%

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

	Current Period	Prior Period
Balance at the 1 January	5.736	2.330
Changes during the period	2.268	1.285
Paid during the period	801	276
Severance Pay	(316)	(112)
Loss/(gain) obtained from layoff	216	24
Actuarial loss/(gain)	(43)	1.253
Ziraat Lease Merger Effect	-	680
Balance at the end of the period	8.662	5.736

As of 31 December 2019, the Bank has a TL 6.050 short-run employees' rights provision (31 December 2018: TL 3.584).

d.2) Retirement Benefits

Based on the results of the actuarial report, which is calculated with the actuarial rate 9,80% as determined in the Law numbered 5754, published on the Official Gazette dated 8 May 2008 and numbered 26870, as of 31 December 2019, no technical deficit has been reported.

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

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

The Bank has allocated a provision amounting to TL 21.000 based on the bonus to be paid in a current period.

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 31 December 2019, the Bank's corporate income tax liability is TL 85.445 (31 December 2018: TL 25.589).

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	85.445	25.589
Taxation on Income From Securities	18.470	10.438
Property Tax	286	177
Banking Insurance Transactions Tax (BITT)	11.395	10.467
Foreign Exchange Transactions Tax	392	-
Value Added Tax Payable	3.708	5.521
Other	2.418	1.593
Ziraat Finansal Kiralama A.Ş. merging effect	-	(10.202)
Total	122.114	43.583

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c) Information on premiums:

	Current Period	Prior Period
Social Security Premiums - Employee	8	1
Social Security Premiums - Employer	11	1
Bank Social Aid Pension Fund Premium - Employee	-	-
Bank Social Aid Pension Fund Premium - Employer	-	-
Pension Fund Membership Fees and Provisions - Employee	-	-
Pension Fund Membership Fees and Provisions - Employer	-	-
Unemployment Insurance - Employee	87	62
Unemployment Insurance - Employer	173	125
Other	-	-
Total	279	189

10) Information on deferred tax liabilities, if any:

The Bank's deferred tax liability amounts to TL 33.127 (31 December 2018: TL 4.986) and this amount is net off against the deferred tax asset and accordingly deferred tax asset amounting to TL 42.153 (31 December 2018: TL 54.954) 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 2018: None).

12. Explanations on subordinated debts:

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

	Current period		Prior period	
	TL	FC	TL	FC
Debt instruments to be included in the additional capital calculation:				
Subordinated Loans	-	537.338	-	-
Equity-like Debt Instruments	-	-	-	-
Debt instruments to be included in Contribution Capital Calculation:				
Subordinated Loans ^(c)	300.000	-	-	-
Equity-like Debt Instruments	-	-	-	-
Total	300.000	537.338	-	-

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

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

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

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

14. Information on shareholders’ equity:

a) Presentation on paid-in capital:

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

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

None.

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

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

None.

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

There is no capital commitment for the last financial year and the end of the following interim period (31 December 2018: None).

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

The Bank has no any uncertainty related to profitability and liquidity according to the prior period’s indicators. (31 December 2018: None).

g) Information on preferred shares:

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

h) Information on marketable securities value increase fund:

	Current Period		Prior Period	
	TL	FC	TL	FC
From Subsidiaries, Associates and Entities under Common Control	-	-	-	-
Revaluation Difference	-	-	-	-
Foreign Exchange Difference	-	-	-	-
Financial Assets at Fair Value Through Other Comprehensive Income	56.429	642	(14.901)	(11)
Revaluation Difference	72.454	642	(18.955)	(11)
Deferred Tax Effect	(16.025)	-	4.054	-
Foreign Exchange Difference	-	-	-	-
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	(21.973)	316
Total	56.429	642	(36.874)	305

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i) Profit reserves and profit distribution

Legal reserves are divided into first and second reserves in the Turkish Commercial Code ("TCC"). The first legal reserves are separated from the profit by 5% until the total reserves reach 20% of the paid-in capital. Second legal reserves are set aside at 10% over cash profit distributions that exceed 5% of paid-in capital.

At the Bank Ordinary General Assembly held on 11 June 2019, it was decided to distribute the profit for 2018 as follows.

2018 profit distribution table:

2018 profit for the period	300.631
A - Type 1 general legal reserves (TCC 519/A) 5%	15.031
B - First dividend to shareholders	-
C - Extraordinary reserves	285.600
D - Special funds	-

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	108.744	88.064
Other Irrevocable Commitments	-	-
Payment Commitments for Cheques	157.323	102.994
Loan Granting Commitments	11.509	6.925
Asset Purchase Commitments	-	-
Tax and Fund Liabilities from Export Commitments	122.657	160.832
Total	400.233	358.815

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 18.452 (31 December 2018: 5.888).

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

	Current Period	Prior Period
Guarantee Letters	9.381.555	8.640.366
Letter of Credits	18.753	3.591
Bank Acceptances	983.145	616.808
Other Contingencies	944.684	1.022.677
Total	11.328.137	10.283.442

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

	Current Period	Prior Period
Letters of Temporary Guarantees	764.821	411.354
Letters of Certain Guarantees	4.596.487	3.893.325
Letters of Advance Guarantees	621.598	1.018.357
Letters of Guarantees given to Customs Offices	77.809	73.926
Other Letters of Guarantees	3.320.840	3.243.404
Total	9.381.555	8.640.366

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b.3) Total non-cash loans:

	Current Period	Prior Period
Non-Cash Loans for Providing Cash Loans	3.320.852	3.243.412
With Original Maturity of One Year or Less	83.917	1.727.495
With Original Maturity of More than One Year	3.236.935	1.515.917
Other Non-Cash Loans	8.007.285	7.040.030
Total	11.328.137	10.283.442

c) Information on sectoral risk concentrations of non-cash loans:

	Current Period				Prior Period			
	TL	(%)	FC	(%)	TL	(%)	FC	(%)
Agricultural	16.917	-	45.320	1	181.687	4	28.512	-
Farming and Raising Livestock	11.548	-	45.320	1	178.724	4	28.512	-
Forestry	5.284	-	-	-	2.704	-	-	-
Fishing	85	-	-	-	259	-	-	-
Manufacturing	875.150	18	3.872.614	60	651.919	16	4.052.882	66
Mining and Quarrying	35.406	1	14.976	-	15.827	-	165.716	3
Production	715.084	15	3.832.906	60	587.506	15	3.885.497	63
Electric, Gas and Water	124.660	3	24.732	-	48.586	1	1.669	-
Construction	2.724.386	55	677.991	11	2.052.481	49	638.842	10
Services	1.307.130	27	1.786.358	28	1.283.715	31	1.422.151	23
Wholesale and Retail Trade	761.328	15	1.251.131	20	647.427	15	1.031.680	17
Hotel, Food and Beverage Services	33.744	1	155.961	2	26.535	1	77.873	1
Transportation and Telecommunication	89.887	2	22.522	-	50.412	1	106.827	2
Financial Institutions	22.833	-	39.727	1	21.804	1	15.668	-
Real Estate and Leasing Services	324.252	7	266.364	4	483.921	12	172.876	3
Self-employment Services	-	-	-	-	-	-	-	-
Education Services	657	-	17.050	-	1.397	-	14.824	-
Health and Social Services	74.429	2	33.603	1	52.219	1	2.403	-
Other	3.383	-	18.888	-	10.359	-	70.812	1
Total	4.926.966	100	6.401.171	100	4.180.161	100	6.213.199	100

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d) Information on the non-cash loans classified under Group I and Group II:

	Group I		Group II	
	TL	FC	TL	FC
Non-Cash Loans	4.687.681	6.137.450	239.285	263.721
Letters of Guarantee	4.653.400	4.243.902	239.285	244.968
Bank Acceptances	-	-	-	18.753
Letters of Credit	29.071	954.074	-	-
Endorsements	-	-	-	-
Underwriting Commitments	-	-	-	-
Factoring Guarantees	-	-	-	-
Other Commitments and Contingencies	5.210	939.474	-	-

2. Explanations on derivative transactions:

	Current Period	Prior Period ^(*)
Types of Trading Transactions		
Foreign Currency Related Derivative Transactions (I)	2.639.238	2.630.901
Forward Transactions	2.639.238	2.630.901
Swap Transactions	-	-
Futures Transactions	-	-
Option Transactions	-	-
Interest Related Derivative Transactions (II)	-	-
A. Total Trading Derivative Transactions (I+II)	2.639.238	2.630.901
Types of Hedging Derivative Transactions	-	-
Fair Value Hedges	-	-
Cash Flow Hedges	-	-
Foreign Currency Investment Hedges	-	-
B. Total Hedging Derivative Transactions	-	-
Total Derivative Transactions (A+B)	2.639.238	2.630.901

(*) It includes the effects arising from the merger of Ziraat Finansal Kiralama A.Ş.

The bank has no derivative transaction held for cash flow hedges. There are no income and expenses before ex ante and accounted on the basis of this prediction; however operations that is inferred as not actualize and by the reason of unrelated with income statements in the current period.

Current Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	(11.580)	18.056	158	-	-	6.634
- Addition	1.186.774	133.020	3.142	-	-	1.322.936
- Disposal	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)
Hedging Transactions	-	-	-	-	-	-
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	1.186.774	133.020	3.142	-	-	1.322.936
Total cash disposal	(1.198.354)	(114.964)	(2.984)	-	-	(1.316.302)

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Prior Period	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Financial assets for trading						
Foreign Exchange derivatives:	-	(1.830)	-	13.803	-	11.973
- Addition	-	1.204.570	-	116.867	-	1.321.437
- Disposal	-	(1.206.400)	-	(103.064)	-	(1.309.464)
Hedging Transactions						
Foreign Exchange derivatives:	-	-	-	-	-	-
- Addition	-	-	-	-	-	-
- Disposal	-	-	-	-	-	-
Total cash addition	-	1.204.570	-	116.867	-	1.321.437
Total cash disposal	-	(1.206.400)	-	(103.064)	-	(1.309.464)

3. Explanations on contingent assets and liabilities:

Provision is allocated for transactions with complete and accurate data that may have an effect on the financial structure of the Bank and otherwise, provision is provided based on the estimations.

The Bank's liability resulting from the cheques given to its customers amounts to TL 157.323 (31 December 2018: 102.994 TL).

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

4. Explanations on services in the name of others:

The Bank provides custody services for purchases and sales of government bonds on behalf of real and legal persons, intermediates in repurchase and sale transactions, and provides safe deposit box services. The Bank does not provide consultancy and management services.

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

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans ^(c)	2.515.121	379.482	1.676.776	177.215
Short term loans	1.112.229	117.382	623.639	51.587
Medium and long term loans	1.362.152	262.100	1.046.597	125.628
Profit share on non-performing loans	40.740	-	5.077	-
Premiums received from resource utilization support fund	-	-	-	-
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	1.463	-

^(c) Includes fees and commissions income on cash loans

b) Information on profit share income from banks:

	Current Period		Prior Period	
	TL	FC	TL	FC
Central Bank of the Republic of Turkey	-	-	-	-
Domestic Banks	530	44	-	-
Foreign Banks	-	-	-	-
Head Office and Branches	-	-	-	-
Ziraat Finansal Kiralama A.Ş. merging effect	-	-	5.097	1.942
Total	530	44	5.097	1.942

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS
AS OF 31 DECEMBER 2019**

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

c) Information on profit share income from securities portfolio:

	Current Period		Prior Period	
	TL	TL	FC	FC
Financial Assets at Fair Value through Profit and Loss	16.716	-	-	-
Financial Assets at Fair Value through Other Comprehensive Income	220.709	8.308	136.686	256
Investments Held-to-Maturity Financial Assets Measured by Amortized Cost	-	-	-	-
Total	237.425	8.308	136.686	256

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

None (31 December 2018: None).

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Banks	483.248	121.170	7.496	27.931
Central Bank of the Republic of Turkey	-	-	6.488	-
Domestic Banks	445.379	64.946	1.008	21.331
Foreign Banks	74.595	56.224	-	6.600
Head Office and Branches	-	-	-	-
Other Institutions	-	17.988	140.695	19.549
Ziraat Finansal Kiralama A.Ş.merging effect	-	-	27.774	82.037
Total	519.974	139.158	175.965	129.517

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

The amount of profit share expense given to associates and subsidiaries is TL 386.474 (31 December 2019: 140.695).

c) Information on profit share expense paid to securities issued:**Information on profit share expense paid** is 4.604 (31 December 2018: TL 33.427)

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

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

Current Period	Participation Accounts					
	Up to 1 month	Up to 3 months	Up to 6 months	Up to 1 year	Over 1 year	Total
Account Name						
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	87	4.883	326	-	-	5.296
Real Person's Non Commercial Participation Accounts	71.104	535.780	5.902	7.087	39.397	659.270
Public Sector Participation Accounts	6.155	28.584	10.609	16.489	19.808	81.645
Commercial Sector Participation Accounts	26.263	392.515	23.661	20.286	2.406	465.131
Other Institutions Participation Accounts	2.343	79.396	67.876	2.577	928	153.120
Total	105.952	1.041.158	108.374	46.439	62.539	1.364.462
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	138	-	-	-	138
Real Person's Non Commercial Participation Accounts	7.126	68.457	1.714	1.249	20.990	99.536
Public Sector Participation Accounts	13	279	-	-	-	292
Commercial Sector Participation Accounts	1.982	37.792	1.355	1.782	14.405	57.316
Other Institutions Participation Accounts	1	1.428	1	-	-	1.430
Public Sector Participation Accounts	5.668	-	-	-	-	5.668
Total	14.790	108.094	3.070	3.031	35.395	164.380
Grand Total	120.742	1.149.252	111.444	49.470	97.934	1.528.842
Prior Period	Participation Accounts					
Account Name	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month	Up to 1 month
Turkish Lira						
Funds Collected from Banks via Current and Participation Accounts	-	6.838	-	-	-	6.838
Real Person's Non Commercial Participation Accounts	45.160	340.583	4.692	3.984	19.211	413.630
Public Sector Participation Accounts	7.102	68.859	33.883	9.568	7.978	127.390
Commercial Sector Participation Accounts	23.149	266.330	14.446	7.858	1.735	313.518
Other Institutions Participation Accounts	1.606	66.650	6.409	15.364	890	90.919
Total	77.017	749.260	59.430	36.774	29.814	952.295
Foreign Currency						
Funds Collected from Banks via Current and Participation Accounts	-	84	-	-	-	84
Real Person's Non Commercial Participation Accounts	5.139	51.055	1.403	1.290	7.518	66.405
Public Sector Participation Accounts	20	1.047	-	-	-	1.067
Commercial Sector Participation Accounts	2.469	60.992	1.697	4.730	2.322	72.210
Other Institutions Participation Accounts	-	3.187	-	-	-	3.187
Public Sector Participation Accounts	3.995	-	-	-	-	3.995
Total	11.623	116.365	3.100	6.020	9.840	146.948
Grand Total	88.640	865.625	62.530	42.794	39.654	1.099.243

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

3. Information on dividend income:

As of 31 December 2019, the Bank's divided income is TL 17.762 (31 December 2018: TL 923).

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

	Current Period	Prior Period
Income	7,627,672	10,743,441
Foreign exchange gains	7,544,152	10,638,239
Gain on derivative financial instruments	81,310	104,993
Gain on capital market transactions	2,210	209
Losses (-)	7,558,194	10,685,660
Foreign exchange losses	7,520,302	10,639,430
Losses on derivative financial instruments	37,248	43,625
Losses on capital market transactions	644	2,605
Ziraat Finansal Kiralama A.Ş.merging effect	-	(4,283)
Net	69,478	53,498

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

	Current Period	Prior Period
Effect of the change in exchange rates on profit/loss	44,062	66,390
Total	44,062	66,390

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:

In the current issued capital of Ziraat Yatırım Menkul Değerler A.Ş., all of the shares with a nominal value of 14.400 TL, corresponding to 24% share, were issued to T.C. was transferred to Ziraat Bankası A.Ş.

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

	Current Period	Prior Period
Expected Credit Loss	434,048	203,793
12 month expected credit loss (stage 1)	33,252	36,406
Significant increase in credit risk (stage 2)	55,049	56,148
Non-performing loans (stage 3)	345,747	111,239
Marketable Securities Impairment Expense	-	-
Financial Assets at Fair Value through Profit or Loss	-	-
Available-for-sale Financial Assets Fair Value Through Other Comprehensive Income	-	-
Investments in Associates, Subsidiaries and Held-to-maturity Securities Value Decrease	-	-
Investments in Associates	-	-
Subsidiaries	-	-
Joint Ventures	-	-
Other ^(*)	58,123	18,041
Ziraat Finansal Kiralama A.Ş. merging effect	-	124,785
Total	492,171	346,619

^(*) 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 58.123 (31 December 2018: TL 18.041) is reserved to use for expected credit loss provision, specific provisions and the Participation Accounts allocated to premium of Guarantee of Deposit Insurance Fund.

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7. Information on other operating expenses:

	Current Period	Prior Period
Reserve for Employee Termination Benefits	3.606	1.473
Bank Social Aid Provision Fund Deficit Provision	-	-
Tangible Fixed Assets Impairment Expense	-	-
Depreciation Expenses of Tangible Fixed Assets	43.238	15.325
Intangible Assets Impairment Expense	-	-
Goodwill Impairment Expense	-	-
Amortization Expenses of Intangible Assets	10.350	6.135
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	94.779	86.973
Operational Leasing Expenses	162	26.900
Maintenance Expenses	19.724	6.197
Advertisement Expenses	26.718	16.362
Other Expenses	48.175	37.514
Loss on Sales of Assets	7.923	-
Other ^(*)	81.247	42.695
Ziraat Finansal Kiralam A.Ş. merging effect	-	14.782
Total	241.143	167.383

^(*) The balance which forms the other item part, TL 25.253 (31 December 2018: TL 20.412) represents Saving Deposit Insurance Fund ("SDIF") Premium amount and audit and consultancy fees and TL 37.718 (31 December 2018: TL 17.883) represents taxes, fees and funds and other services expenses.

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

As of 31 December 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	Prior Period
Net Profit Share Income	1.368.925	865.421
Net Fees and Commissions Income	94.452	77.679
Dividend Income	17.762	923
Trading Income/Expense (Net)	69.478	53.498
Other Operating Income	159.008	119.821
Expected Loss Provision (-)	492.171	346.619
Other Provision Expense (-)	87.244	50.036
Personnel Expense	183.767	137.857
Other Operating Expenses (-)	241.143	167.383
Income/(Loss) from Continuing Operations	705.300	415.447

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

As of 31 December 2019, the Bank’s total tax provision expense amounting to TL 188.565 (31 December 2018: TL 90.214) consists of TL 202.224 (31 December 2018: TL 117.048) of current tax expense and TL 13.659 (31 December 2018: TL 26.834) 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 516.735 (31 December 2018: TL 325.233).

11. Information on net profit/loss:

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

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

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

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

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

None (31 December 2018: None).

V. EXPLANATIONS AND NOTES RELATED TO CHANGES IN SHAREHOLDERS’ EQUITY

a) Explanations on profit distribution:

In accordance with the decision taken in the General Assembly of the year 2018, which was carried out on 11 June 2019, from TL 414.549 net profit, TL 113.918 is transferred as fiscal charge. 5% of remaining TL 300.631, TL 15.031 is separated as legal reserve. Remaining amount from distribution, TL 285.600, has been left in the Bank.

The Bank is planning to distribute its profit for 2019 in line with the Articles of Incorporation However, as of the date of preparation of the financial statements, no decision on profit distribution has been made.

b) Explanations on Financial Assets at Fair Value Through Other Comprehensive Income

Explanations on Financial Assets at Fair Value Through Other Comprehensive Income were presented under Section Five and 1.3-b footnote.

c) Profit reserves:

As of balance sheet date, profit reserves are TL 558.214, legal reserves are TL 35.234, extraordinary reserves are TL 490.570, and other profit reserves are TL 32.410.

c. Explanations on Previous Year’s Profit/Loss:

As of 31 December 2019, the bank’s previous year’s profit is TL 25.660.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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VI. EXPLANATIONS AND NOTES RELATED TO STATEMENT OF CASH FLOWS

1. Explanations about other cash flows items and the effect of changes in foreign exchange rates on cash and cash equivalents:

“Operating Profit before Changes in Operating Assets and Liabilities” amounting to TL 293.549 is composed mainly from interest received from loans and securities amounting to TL 3.309.050 and interest paid to deposit and money market operations which is amounting to TL 2.110.916 Other earnings consists primarily net fee, commission income and other operation losses.

The effect of change in foreign exchange rate on cash and cash equivalents is calculated approximately TL 195.076 as of 31 December 2019, (31 December 2018: TL 303.391).

Cash in TL, cash in foreign currency, Central Bank of the Republic of Turkey, money in transit, bank cheques purchased and cash on money market operations are defined as “cash”; interbank money transactions placements having maturities less than three months, and time deposits in banks are defined as “cash equivalents”.

Period opening and end cash and cash equivalents balance:

Period opening	Current Period	Prior Period
Cash in TL and in Foreign Currency	53.161	41.124
Central Bank of the Republic of Turkey and Other Banks	1.107.406	560.677
Money Market Operations	-	-
Total Cash and Cash Equivalents	1.160.567	601.801
Period End	Current Period	Prior Period
Cash in TL and in Foreign Currency	79.232	53.161
Central Bank of the Republic of Turkey and Other Banks	984.698	1.107.406
Money Market Operations	-	-
Total Cash and Cash Equivalents	1.063.930	1.160.567

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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VII. 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
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	2.180.316	-	-	-
Balance at end of period	-	-	3.097.903	-	-	-
Profit share and commission income	-	-	21.276	-	-	-

Prior Period

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the Bank		Other real or legal persons included in the risk group	
	Cash	Non-Cash	Cash	Non-Cash	Cash	Non-Cash
Loans and other receivables	-	-	-	-	-	-
Balance at beginning of period	-	-	758.988	-	-	-
Balance at end of period	-	-	2.180.316	-	-	-
Profit share and commission income	-	-	28.471	-	-	-

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
Current and profit sharing accounts						
Balance at the beginning of period	-	-	42.411	8.159	-	-
Balance at the end of period	-	-	59.324	42.411	-	-
Profit share expense	-	-	6.005	2.563	-	-

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
Funds Borrowed						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Profit share paid expense	-	-	-	-	-	-

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

Risk Group of the Bank	Subsidiaries, Associates and Entities Under Common Control (Joint Ventures)		Direct or Indirect Shareholders of the Bank		Other Real and Legal Persons in the Risk Group	
	Current Period	Prior Period	Current Period	Prior Period	Current Period	Prior Period
The Fair Value Differences Through Profit and Loss	-	-	-	-	-	-
Opening Balance	-	-	2.401.773	1.264.078	-	-
Closing Balance	-	-	2.383.936	2.401.773	-	-
Total Profit/Loss	-	-	-	6.145	-	-
Risk Protection Oriented Processes	-	-	-	-	-	-
Opening Balance	-	-	-	-	-	-
Closing Balance	-	-	-	-	-	-
Total Profit/Loss	-	-	-	-	-	-

3) Information on remunerations provided to top management:

The Bank has paid TL 4.689 (31 December 2018: TL 3.508) to top management.

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

None.

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

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

	Number	Number of Employees	Country	Total Assets	Legal Equity
Domestic branches ^(*)	93	1.129			
Foreign representative offices	-	-			
Foreign branches	-	-			
Off shore banking branches	-	-			

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

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

In 2019, 13 new branches (31 December 2018: 17 Branches) have been opened in Turkey.

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NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE BANK’S RATING THAT HAS BEEN DETERMINED BY INTERNATIONAL RATING AGENCIES

Fitch Ratings: 12 November 2019	Note	Explanation
Long Term Foreign Currency Credit Rating	B +	It is in a very speculative level under the investment class.
Short Term Foreign Currency Credit Rating	B	It is in a speculative level under the investment class.
Long Term Turkish Lira Credit Rating	BB-	It is in a speculative level under the investment class.
Short Term Turkish Lira Credit Rating	B	It is in a speculative level under the investment class.
National Long Term Credit Rating	AA (tur)	Top level investment grade.
Support	4	The probability of external support is restricted.

II. OTHER EXPLANATIONS ON GROUP’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT

As of 31 December 2019, unconsolidated financial statements and explanatory notes of the Bank disclosed herein were audited by KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.(the Turkish member of KPMG International Cooperative, a Swiss Entity) and Audit Report dated 20 February 2020 is presented preceding the financial statements.

II. EXPLANATIONS AND NOTES PREPARED BY THE INDEPENDENT AUDITORS

None.