

4th
year

2019 Annual Report



Ziraat Katılım



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Contents

PART 1

Introduction

2	Our Mission
2	Our Vision
3	Our Strategies
4	Corporate Profile
5	Highlights from 2019
6	Highlights in 2019
8	Shareholding Structure
8	Changes in Articles of Association in 2019
9	Financial Indicators
10	Information on General Assembly held in 2019
11	Milestones in the History of Ziraat Katılım
14	Chairman's Assessment
16	CEO's Assessment
22	Macroeconomic Outlook
24	Evaluation of 2019: Strategies, Developments and Future Goals
32	Human Resources
33	Affiliates
36	The Report on Compliance of Annual Report

PART 2

Management and Corporate Governance Practices

38	Ziraat Katılım Board of Directors
40	Ziraat Katılım Senior Management
42	Managers under the Internal Systems
43	Summary Report by the Board of Directors
44	Information on the Activities of the Committees
45	Human Resources Practices and Policies and the Expectations Regarding 2020
45	Transactions Carried out with Ziraat Katılım's Risk Group
45	Companies from which Support Services are Obtained

PART 3

Financial Information and Risk Management

46	The Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems
50	Ziraat Katılım's Financial Standing, Profitability and Solvency
51	Ratios
52	Information about Risk Management Policies and Activities According to Type of Risk
54	Summary Balance Sheet and Income Statement
54	Credit Rating Agency's Notes
55	Unconsolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2019
181	Consolidated Financial Statements and Notes Together with Independent Auditors' Report at 31 December 2019
307	Contact Information

Part I - Introduction

Mission and Vision

Our Mission

Our mission is to become a participation bank that understands the expectations and needs of its customers in the best way possible and offering most reliable solutions and value propositions through the most appropriate channel, carries out its activities with world-class sustainable profitability and efficiency being aware of principles of participation banking and ethics, facilitates access to financial services focusing onto the customer satisfaction.

Our Vision

At Ziraat Katılım, our vision is to become a global, reputable and leading participation bank that strengthens participation banking not only in Turkey, but in the region, constantly generates value, offers customers more the more as they share at every stage.

Our Strategies

To be an effective Participation Bank

- To allocate resources to investments that will create value with the financing it provides,
- To be fair and transparent in profit sharing,
- To create customer-centric processes in order to achieve operational excellence.

To Run Participation Banking For Everyone

- To be the “Moral Participation Bank” with which customers and personnel feel a sense of peace and are happy to work with or for,
- To offer services which meet universal service standards with the same high quality wherever they are,
- To manage the financing of production and trade in a manner that adds value.

To Improve Participation Banking

- To integrate into the international participation banking financial architecture,
- To contribute to the development of the participation banking sector in our country,
- To be a pioneer in the participation banking sector by developing new products and services.

Corporate Profile

ZIRAAT KATILIM, WHICH STARTED TO PROVIDE SERVICES IN THE FIELD OF PARTICIPATION BANKING WITH THE PRINCIPLE OF “ACHIEVING MORE BY SHARING”, IS THE FIRST STATE-OWNED PARTICIPATION BANK.

Ziraat Katılım was founded with a share capital of TL 675,000,000 fully paid by the Undersecretariat of Treasury in accordance with the approval of Banking Regulation and Supervision Agency dated 10 October 2014 numbered 6046 published at the Official Gazette numbered 29146 dated 15 October 2014 and was registered on 16 February 2015.

Ziraat Katılım obtained its operating license with the decision 6302 of Banking Regulation and Supervision Agency dated 12 May 2015 published at the Official Gazette numbered 29355 dated 14 May 2015 and started its participation banking operations as of 29 May 2015.

SUSTAINABLE PROFITABILITY AND EFFICIENCY

Ziraat Katılım continues its activities with the aim of achieving sustainable profitability and productivity in line with the understanding of participation banking, which is summarized in the principle of “Achieving More by Sharing”. The Bank’s total assets increased by 64% in comparison with 2018 year-end and reached a balance sheet size of TL 36.4 billion. Net profit of Ziraat Katılım was realized as TL 516.7 million with an increase of 60% with a steady growth in 2019.

93 BRANCHES AND 1,129 EMPLOYEES IN 43 DIFFERENT CITIES

With the 13 new domestic branches opened in 2019, Ziraat Katılım expanded even more geographically and total number of branches reached 93. The Bank serves its customers with 1,129 personnel specialized in their fields.

GENERATING SYNERGY FROM ITS COOPERATION WITH ZIRAAT BANK

Ziraat Katılım works in strong cooperation with Ziraat Bank within the framework of the correspondent agreement. The branches and ATMs of Ziraat Bank, which has the most widespread service network in the Turkish banking sector, provide Ziraat Katılım customers with easy access to products and services in accordance with the principles of participation banking.

CUSTOMER-ORIENTED ALTERNATIVE SERVICE CHANNELS

Ziraat Katılım continues to offer innovative and more value adding services and solutions to a wide range of customers from every channel with its applications in the fields of Internet Banking, Mobile Banking, Call Center and Payment Systems.

As an effective, leading and respected participation bank, Ziraat Katılım will continue to move forward with determination to reach new achievements, aiming to make participation banking available for all and to advance participation banking forward in parallel with the country’s goals.

Highlights from 2019

TOTAL ASSETS

TL 36,392 MILLION

Total assets increased by 64% from TL 22,189 million in 2018 to TL 36,392 million in 2019.

LOANS

TL 28,991 MILLION

The volume of loans increased by 63% during 2019, from TL 17,739 million in 2018 to TL 28,991 million.

NUMBER OF EMPLOYEES

1.129

The number of employees of Ziraat Katılım increased from 1,042 at the end of 2018 to 1,129 by the end of 2019 on the back of the ongoing growth.

NUMBER OF BRANCHES

93

In 2019, the total number of branches reached 93 with the opening of 13 new branches in Turkey.

INTERNET BANKING

57%

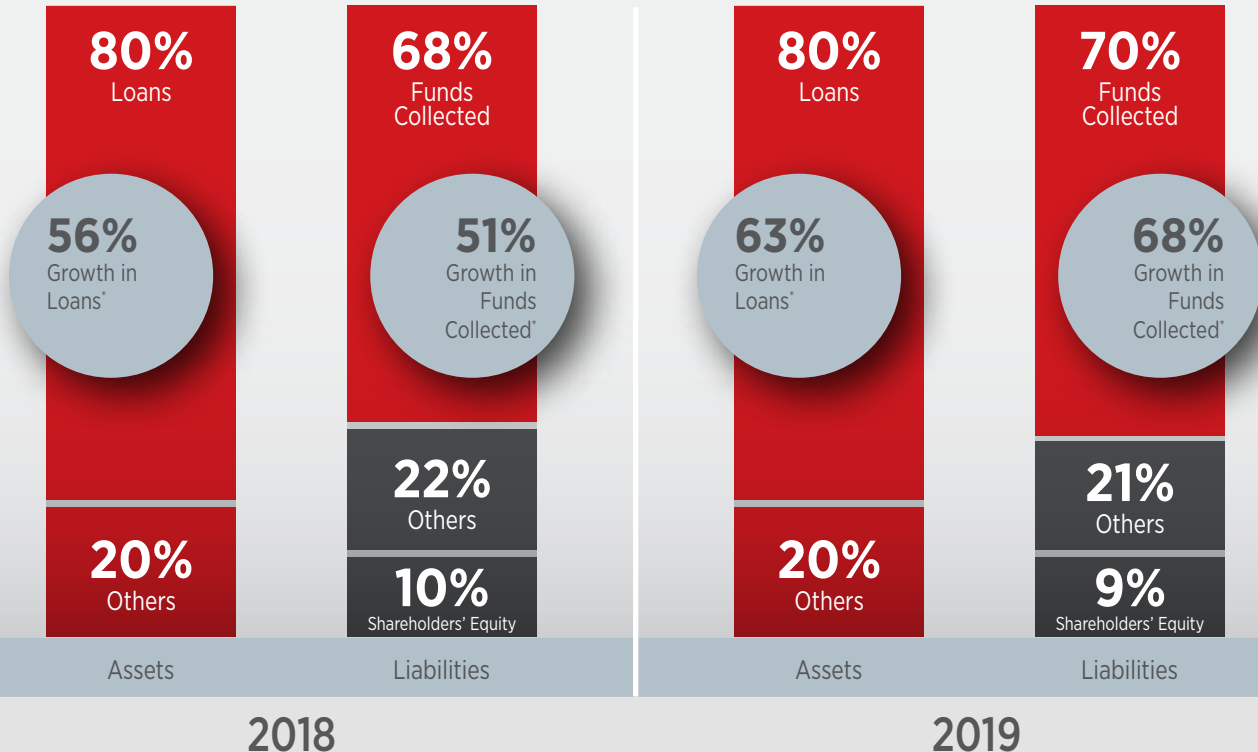
In 2019, the number of customers using internet banking increased by 57% and reached 167 thousand people.

DIGITAL PRODUCTS



Products offered to customers through digital channels are being developed constantly.

BALANCE SHEET COMPOSITION



*Annual rate of change

Highlights of 2019



NEW JOINT VENTURE “YÜNSA”

Supporting profitable and sustainable investments, Ziraat Katılım has an objective of increasing value created for its stakeholders and Turkey with investments structured in this direction. Within the scope of Joint Venture Models, which is an effective and diversified resource structure, the Bank purchased shares representing 57.88% of ownership of Yünsa, which is the largest producer in Europe operating under one roof and the 5th largest producer of woolen fabric in the World. The transaction was realized by the Bank’s subsidiary Sürmegöz Tekstil Yatırım A.Ş. purchasing the shares of Hacı Ömer Sabancı Holding.



3 PRIZES AT THE STEVIE AWARDS

Ziraat Katılım received 3 prizes at once at the Stevie Awards which rewards organizations, projects and initiatives that are successful at international standards. The Bank received the silver award in Banking, bronze award in Financial Services and the People’s Choice award determined by public votes in Banking.

THE MOST EFFECTIVE PARTICIPATION BANK IN SOCIAL MEDIA

At the Social Media Awards Turkey organized by BoomSonar and Marketing Türkiye, which rewards the leading brands, agencies, projects and people in social media by evaluating 33 thousand brands and 12 billion interactions, Ziraat Katılım received the most effective participation bank in social media award.





ALFA AWARDS-PARTICIPATION BANK PROVIDING THE BEST CUSTOMER EXPERIENCE AWARD

In 2019, Ziraat Katılım was selected as the Customer Brand of participation banking industry as a result of a face-to-face survey conducted by AKADEMETRE Research Company on behalf of Marketing Türkiye in 12 cities with 1,200 people in 3 main and 14 sub criteria. With this survey, it was proven that consumers appreciate the Bank's activities and efforts which provide flawless experience to customers.

MERGING UNDER ONE ROOF "THE BANK AND THE FINANCIAL LEASING COMPANY"

The Bank decided that companies with operations in similar industries merging under one roof create more value for our country and improve their competitive edge by reducing operational costs and increasing efficiency. Accordingly, Ziraat Leasing A.Ş. which provides financing to various industries merged into Ziraat Katılım by transferring its operations as of 1 March 2019.



ZİRAAT KATILIM'IN 84. BRANŞI: TRAKYA KURUMSAL BRANŞI

Trakya Kurumsal Branş, 84. şubesi Ziraat Katılım, 21 Haziran 2019 tarihinde hizmete başlandı. Ziraat Katılım CEO'su Metin Özdemir, Board of Directors Üyesi Cemalettin Başlı, Executive Vice President-Marketing Temel Tayyar Yeşil, Executive Vice President-Treasury Management and International Banking Osman Karakütük, Executive Vice President -Credit Policies Dr. Ahmet Ortatepe, senior management and branch managers present at the opening of the branch.



ZİRAAT FİNANSE GRUBU VİZYON 2020

Ziraat Finance Group Vision 2020 meeting was held between 23 November and 1 December 2019 in Antalya. Ziraat Katılım Chairman of the Board Hüseyin Aydın, Ziraat Katılım CEO Metin Özdemir, Members of the Board of Directors, Ziraat Group senior management, Department Heads, Headquarters Service Managers and Branch Managers attended the meeting where 2020 visions and goals were discussed.

Shareholding Structure

The main shareholder of Ziraat Katılım is Ziraat Bank.

31 December 2019		
Shareholder	Paid-in Capital (TL Thousand)	Share %
T.C. Ziraat Bankası A.Ş.	1,750,000	99.99999976
Ziraat Sigorta A.Ş.	-	0.00000006
Ziraat Hayat ve Emeklilik A.Ş.	-	0.00000006
Ziraat Teknoloji A.Ş.	-	0.00000006
Ziraat Yatırım Menkul Değerler A.Ş.	-	0.00000006
Total	1,750,000	100.00

The TL 1,750,000,000 paid-in capital of Ziraat Katılım was fully provided by Undersecretariat of Treasury. Ziraat Katılım's capital is divided into 1,750,000,000 shares, each valued at TL 1.00.

The Chairman and members of the Board, members of the Audit Committee, General Manager and Assistant General Managers do not own shares.

CHANGES IN ARTICLES OF ASSOCIATION IN 2019

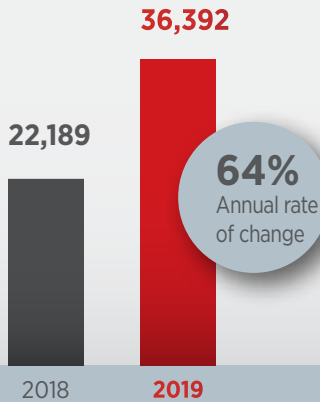
There were no changes in Articles of Association of the Bank in 2019.

Financial Indicators

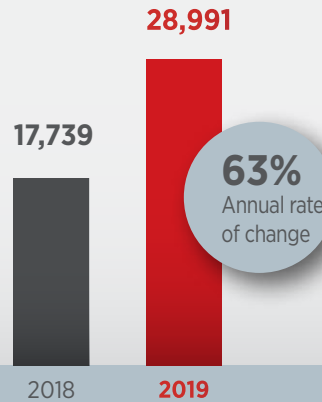
(TL Million)	2018**	2019	Change (%)
Total Assets	22,189	36,392	64
Liquid Assets and Banks	2,795	3,810	36
Securities Portfolio	1,303	2,952	127
Loans	17,739	28,991	63
Funds Collected	15,151	25,457	68
Shareholders' Equity	2,219	3,167	43
Profit Shares Income	2,091	3,594	72
Profit Shares Expense	1,320	2,226	69
Income Before Tax	415	705	70
Net Profit/Loss	323	517	60

*Non-performing Loans and Expected Loss Provision are not included.
**Reported amounts of prior periods were taken into account.

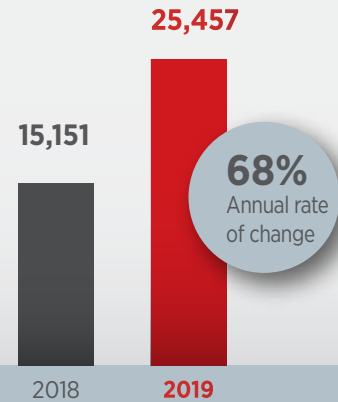
TOTAL ASSETS (TL Million)



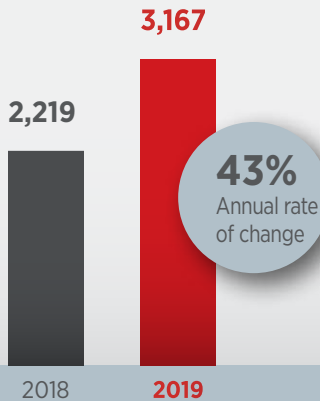
LOANS (TL Million)



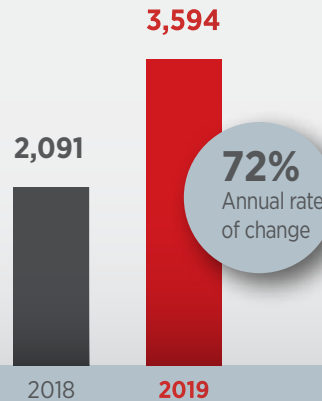
FUNDS COLLECTED (TL Million)



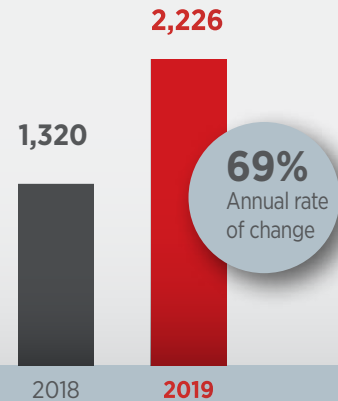
SHAREHOLDERS' EQUITY (TL Million)



PROFIT SHARES INCOME (TL Million)



PROFIT SHARES EXPENSE (TL Million)



Information on General Assembly held in 2019

Ordinary General Assembly for 2018 was held on 11 June 2019. There were no Extraordinary General Assembly meetings in 2019. 2018 General Assembly was held to discuss routine topics in accordance with regulations and General Assembly decisions were implemented in 2019.

ORDINARY GENERAL ASSEMBLY AGENDA

Decision was taken to hold Ordinary General Assembly of Ziraat Katılım for 2018 on 11 June 2019 Tuesday at 14:00 at the Headquarters of the Bank at Hobyar Eminönü Mah. Hayri Efendi Cad. No: 12 Fatih/İstanbul to discuss the agenda presented below:

1. Opening of the meeting and establishment of the Chair.
2. Preparation of the General Assembly minutes and authorization of Meeting Chairmanship for signing the minutes.
3. Reading and discussion of the Board of Directors Annual Report for 2018 and presentation of Independent Auditor's Report to the General Assembly.
4. Discussion and approval of 2018 Balance Sheet, Profit/Loss Statement and Profit Appropriation Statement proposed by the Board of Directors.
5. Grant of release to each member of the Board of Directors.
6. Selection of the Board of Directors Members.
7. Determination of financial rights to be granted to the Members of the Board of Directors.
8. Giving authorization for "Recording of provisions which applies to participation accounts as expense, provided that provisions of Turkish Commercial Code are reserved" in accordance with Article 19/2 of the "Regulation on Procedures and Principles for Classification of Loans and Provisions to be Set Aside".
9. Authorization of the Board of Directors to take decisions on utilizing the Bank's equity for providing for potential losses which may be incurred in participation fund pools set up to process funds collected in participation accounts in accordance with Article 6 paragraph 10 of "Regulation on Procedures and Principles for the Acceptance and Withdrawal of Deposits and Participation Funds and Deposits, Participation Funds, Custody and Receivables Undergoing Lapse of Time".
10. Approval of the independent auditor for 2019 in accordance with the Article 399 of the Turkish Commercial Code.
11. Authorization of the Members of the Board of Directors for subjects within the scope of Articles 395 and 396 of the Turkish Commercial Code.
12. Wishes and closing.

Milestones in the History of Ziraat Katılım

2015

- As the first publicly funded participation bank, the Bank began operations on 29 May 2015, in a grand opening with the participation of President Recep Tayyip Erdoğan.
- Ziraat Katılım became the first participation bank to receive Participation Banking Activity Ratification Certificate approving compliance of the general framework of our operations with the Principles of Participation Banking.

2016

- Ziraat Katılım proudly completed its first year, a full of firsts, with a net profit of TL 30.7 million.
- The first profit-loss sharing partnership was carried out in different sectors.
- The first Sukuk issuance was undertaken by establishing an Asset Leasing company.
- The first Murabaha Syndication took place.

2017

- Ziraat Katılım continued to take firm steps on its way to reach its goals of sustainable profitability and efficiency and recorded a profit of TL 159 million.
- Ziraat Katılım founded its second subsidiary ZKB Varlık Kiralama A.Ş.
- FILIKA (Limited Financing Card) has been offered to customers.
- Transition to TFRS 9 has been completed.
- A project financing transaction has been performed through “İstisna” product in the participation banking sector.
- Ziraat Katılım has started the Gold Days.

2018

- Ziraat Katılım rounded off the year 2018 with stable growth and wrote a net profit of TL 323 million.
- Ziraat Katılım entered a cooperative agreement that represents a first for the banking sector and our country, with the “Joint Investments Model”.
- Ziraat Katılım became the first participation bank to mediate in the issuance of the Gold Lease Certificate.
- The number of branches increased to 80 branches in 41 different cities.
- Agreements were signed for the establishment of the Ziraat Katılım Sudan Branch.
- The necessary permits were obtained for the transfer of Ziraat Finansal Kiralama A.Ş. to Ziraat Katılım.
- In accordance with the agreement made between all public banks including Ziraat Katılım, the “free use of a Common ATM” system was implemented with the protocol signed.

2019

- Ziraat Katılım continued its healthy growth in 2019 with its effective and efficient balance sheet management and completed the year with a net profit of TL 516.7 million.
- Ziraat Katılım realized a Murabaha Syndication transaction at an amount of USD 250 million for the third time.
- Ziraat Finansal Kiralama A.Ş. was transferred to Ziraat Katılım as of 1 March 2019.
- Subordinated loans were obtained from T.C. Ziraat Bankası A.Ş. and Turkey Wealth Fund.
- Virtual POS product was offered to customers.
- “Mobile Financing” option was launched to conduct financing transactions through Participation Mobile application.



ONE-HALF IS MORE THAN THE WHOLE

THE STRENGTH WE GET FROM YOU IS WHAT WE SHARE WITH YOU. THE MORE WE SHARE THE MORE WE GROW. ONE-HALF IS MORE THAN THE WHOLE BECAUSE WE MAKE IT SO.

ZIRAAT KATILIM

GROWTH THROUGH SHARING

Chairman's Assessment



TURKEY'S FIRST PUBLIC PARTICIPATION BANK ZIRAAT KATILIM AIMS TO DEVELOP ITS PRODUCT RANGE AND RESPOND TO THE NEEDS OF ITS CUSTOMERS IN THE BEST WAY POSSIBLE.

Hüseyin AYDIN
Chairman of the Board of Directors

A RAPID IMPROVEMENT WAS OBSERVED IN MACROECONOMIC INDICATORS IN 2019 FOLLOWING THE REBALANCING PROCESS IN TURKISH ECONOMY. TURKISH ECONOMY DEMONSTRATED A PERFORMANCE BEYOND EXPECTATIONS, SIGNIFICANT REDUCTIONS WERE REALIZED IN INTERESTS AND INFLATION.

In 2019, trade wars showed their slowing impacts on global economy, particularly in China and USA. Despite some positive developments in trade wars, growth expectations for the global economy were revised downwards. US Central Bank (Fed) realized 3 interest reductions considering the slowing trend in the US economy.

With the re-appearance of recession concerns in European economy, European Central Bank (ECB) reduced the negative interest applied during

the last quarter of the year by another 10 basis points. Poor growth indicators in Germany, Brexit discussions and political developments in Spain and Italy continued to have impacts on markets.

A rapid improvement was observed in macroeconomic indicators in 2019 following the rebalancing process in Turkish economy. Turkish economy demonstrated a performance beyond expectations, significant reductions were realized in interests and inflation. Foreign trade deficit decreased and current account balance ended with an annual surplus with the contribution of strong tourism revenues.

IN TERMS OF PROFITABILITY, BANKING SECTOR RECORDED A DECREASE OF 8% WHEREAS **PARTICIPATION BANKING AND OUR BANK RECORDED INCREASES OF 16% AND 60%, RESPECTIVELY.**

At the second half of the year, there have been significant declines in inflation thanks to base effect and single digit figures were observed. Within the frame of these developments, Central Bank decreased policy interest by 1,200 basis points. As Turkish economy was experiencing rapid interest reductions as a result of stabilization efforts, central banks of other developing countries such as Indonesia, India and Russia also reduced interest rates. It is anticipated that improvement of inflation will continue and Central Bank is expected to carry on interest reductions in the following period at a more moderate level.

In participation banking industry, providing resources at appropriate terms and costs from both domestic and foreign markets and allocating them in the most effective way for the economy is a strategic priority. Although there has been a slight deterioration of asset quality in the industry in comparison with the prior year, there was a noticeable increase in the asset

size and profitability of the participation banking industry. In 2019, asset size of the banking sector increased by 16% whereas asset size of participation banking increased by 37% and our Bank recorded an increase of 64%. In terms of profitability, banking sector recorded a decrease of 8% whereas participation banking and our Bank recorded increases of 16% and 60%, respectively. In line with the objective of increasing the share of participation banking in the finance sector, this share increased from 5.3% to 6.3% in 2019.

In 2019, Ziraat Katılım, as the first participation bank of Turkey, realized a first in Turkey by participating at Sürmegöz A.Ş. by 50% which purchased 57.8% of Yünsa A.Ş., a public company, through musharakah method. Ziraat Katılım, following a rapid branching policy from the day of inception, reached 93 branches as of the end of 2019.

The Bank's activities to open branches in other countries continue and the first foreign branch in Sudan is planned to be opened in 2020. Ziraat Katılım wishes to carry on its rapid growth policy within the frame of its main strategy of "Growth through increasing the share of participation banking in finance industry". Accordingly, the Bank aims to respond to its customers' needs in the best way by developing new products.

Ziraat Katılım adopted efficiency-focused working and increasing its impact in the industry as its principles while targeting an increase in its branch network as well as the number of customers.

On behalf of myself and our Board of Directors, I would like to express my gratitude to all our stakeholders, particularly our employees who contribute to the success story of Ziraat Katılım with their devoted efforts and ties of affection.

Hüseyin AYDIN

Chairman of the Board of Directors

CEO's Assessment



ZIRAAT KATILIM'S BALANCE SHEET SIZE INCREASED BY 64% YOY AND REACHED TL 36.4 BILLION AS OF 2019 YEAR-END.

Metin ÖZDEMİR
CEO

ZIRAAT KATILIM CONTINUED ITS FAST GROWTH IN 2019 WITH ITS VISION OF BEING THE LEADING PARTICIPATION BANK OF THE INDUSTRY AND COMPLETED THE YEAR WITH A HEALTHY PERFORMANCE IN LINE WITH ITS PROFITABILITY AND EFFICIENCY GOALS.

Dear Stakeholders,

ZIRAAT KATILIM COMPLETED 2019 WITH A HIGH AND HEALTHY PERFORMANCE.

Ziraat Katılım continued its fast growth in 2019 with its vision of being the leading participation bank of the industry and completed the year with a healthy performance in line with its profitability and efficiency goals.

Besides unfavorable impacts of global economic factors and geopolitical developments, the impacts of fluctuations in domestic markets were also in effect in 2019. Even in these circumstances, Ziraat Katılım achieved its targets with its properly structured strategy, resilient business model and strong financial structure.

Ziraat Katılım reached a balance sheet size of TL 36.4 billion by increasing its total assets by 64% in comparison with prior year-end. With a customer satisfaction oriented service approach and successful execution of an efficiency-focused business cycle, Ziraat Katılım completed 2019 with a profit of TL 516.7 million.

WE CONTINUE SUPPORTING THE REAL SECTOR.

Ziraat Katılım responds to the needs and expectations of its customers through most accurate and appropriate channels by offering value propositions and continues its activities with its vision to be an effective participation bank in its region as well as in international markets.

In 2019, Ziraat Katılım continued to support financing of real sector, particularly SMEs which are vital elements of the economy.

As of 2019 year-end, cash funds Ziraat Katılım allocated increased by 63% in comparison with prior year to reach TL 28.9 billion and non-cash funds increased by 10% to reach TL 11.3 billion, hence total amount of support provided to Turkish economy by Ziraat Katılım was realized as TL 40.2 billion.

Funds collected as of 2019 year-end increased by 68% to reach TL 25.5 billion.

WE CARE ABOUT MAINTAINING OUR ASSET QUALITY.

Ziraat Katılım adopted a growth strategy that sets forth maintaining and improving the asset quality. The Bank's allocation and fund use processes as well as its early warning and risk monitoring infrastructure are being developed accordingly.

In accordance with our sustainable growth and customer focus strategies, funds allocated kept growing rapidly in 2019. As we executed our hardline risk management policies, non-performing

receivables ratio was considerably lower than the industry average and was realized as 2.3%. In 2019, capital adequacy ratio of Ziraat Katılım was 16.6%.

ZIRAAT LEASING MERGED INTO ZIRAAT KATILIM.

As Turkey's first public participation bank, Ziraat Katılım continues to take firm steps towards its vision of being the leading participation bank of the industry. Our Bank acts with the mission of financing investments by providing accurate and effective solutions that contribute to our country's economy and the financial markets.

Ziraat Group targets operational cost reduction and efficiency increase through merging companies operating in similar areas within the Group with its objective of "Getting Stronger Together and Growing Together".

Ziraat Leasing, which has been providing financing to various sectors such as construction, health, textile, food, iron and steel, metal processing, printing and manufacturing since its inception in 1991 under Ziraat Finance Group, started to continue its operations under Ziraat Katılım as of 1 March 2019.

Ziraat Katılım reinforced its strengths through this merger and will continue to grow by developing its existing financial leasing services utilizing Ziraat Leasing's know-how and experiences.

LEASE CERTIFICATE ISSUANCES REACHED TL 13 BILLION.

In 2019, Ziraat Katılım successfully completed 19 lease certificate issuances of TL 8.2 billion in total. The Bank, which has been active in capital markets as part of its strategy to enrich its resource structure, obtained six approvals from CMB for lease certificate issuances of TL 500 million, TL 1.5 billion, TL 1.5 billion, TL 2 billion, TL 4 billion and TL 8 billion each to issue lease certificates in domestic market through its subsidiaries Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş. In this context, approximately TL 13 billion worth of issuances were realized in various amounts of allocations from inception to 2019 year-end.

DIVERSIFYING OUR RESOURCES

In order to provide additional resources and diversify its resources, Ziraat Katılım obtained murabaha syndication of USD 250 billion with the participation of 17 banks and financial institutions. This transaction provided resilience for balance sheet and liquidity management while receiving additional resources with appropriate terms and costs and allowing entry of foreign resources to the economy.

Moreover, to strengthen the share structure of our Bank supporting its rapid growth, a 10-year term Tier 2 credit was obtained from our majority shareholder T.C. Ziraat Bankası A.Ş. for TL 300 million as secondary capital and a Tier 1 credit was obtained from Turkey Wealth Fund for EUR 100 million as additional original capital.

CEO's Assessment

FUND COLLECTION THROUGH INVESTMENT PROXY AGREEMENTS STARTED.

A new application has started to allow participation banks to collect funds through investment proxy agreements in accordance with regulation which amends the Regulation on Procedures and Principles on Acceptance and Withdrawal of Deposits and Participation Funds; Expired Deposits, Participation Funds and Receivables published in the Official Gazette no. 30569 dated 18 October 2018.

In this context, our Bank started to collect funds through Investment Proxy Agreements for corporate customers as of 15 July 2019. In accordance with Communiqué on Terms and Types of Deposits and Participation Funds published in the Official Gazette no. 30809 dated 22 June 2019, participation accounts based on investment proxy agreements can be opened with maturities less than 1 month and our Bank can open participation accounts with less than 1 month maturity for corporate customers.

WE STAND BY OUR SMES.

Ziraat Katılım continues its operations at full speed to facilitate SMEs access to financing with favorable terms.

In this context, the Bank and Credit Guarantee Fund signed "Competitiveness of Small and Medium-Sized Enterprises-COSME" on 12 April 2019 and "CGF Support Credit" protocol on 27 May 2019.

Within the scope of protocols signed in the second quarter of 2019, our Bank provided financing support for SME customers at TL 27 million at favorable terms.

In cooperation with KOSGEB, our Bank signed Düzce and Istanbul Emergency Support Credit Protocol to provide favorable financing for businesses who were affected by the flood and landslide occurred on 17 August 2019 at Eminönü Tram Underpass and Spice Bazaar Underpass. Our Bank always stands by the tradesmen who are in need of emergency financing support. As Ziraat Katılım, we will continue to perform our operations to facilitate our customers' access to finance at favorable conditions.

WE STAND BY OUR CONSUMERS WITH OUR FINANCING CAMPAIGNS.

We conducted housing financing campaigns in cooperation with public banks to support our customers' house purchases and to create dynamism at construction industry.

To support domestic production, we collaborated with automotive brands manufacturing in Turkey and set up vehicle financing packages specific to domestic production for our customers who wishes to purchase zero km domestic passenger and commercial vehicles.

MOBILE FINANCING WAS LAUNCHED.

Understanding the needs and expectations of our individual and corporate customers and providing the most appropriate solutions and value propositions through most appropriate channels, our Bank continues to increase its product diversity.

For our corporate customers who already have an active limit at our Bank, we launched the "Mobile Financing" option where they can process their financing transactions over Participation Mobile Application with the purpose of increasing financing transaction process quality. Digital management of transactions was provided for our customers to apply for financing through Participation Mobile without coming to the branch, ensuring effectiveness of time and cost for document uploading or approval processes.

WE CONTINUE TO CONTRIBUTE TO PRODUCTION AND EMPLOYMENT BY ESTABLISHING FINANCIAL PARTNERSHIPS.

Within the scope of financial partnerships, the Bank purchased 57.88% of shares of Yünsa with its subsidiary Sürmegöz Tekstil Yatırım A.Ş. from Hacı Ömer Sabancı Holding. Yünsa is the largest woolen fabric producer of Europe operating under one roof and 5th largest in the world.

Using its resources in an effective manner to support investment and entrepreneurship, our Bank will continue financing profitable and sustainable investments through Project Financing and Financial Partnerships.

ZIRAAT KATILIM, PROJECT ACTIVITIES STARTED FOR ANALYSIS, REPORTING AND TAKING ACTIONS FOR CUSTOMER FEEDBACKS WITH “ARTIFICIAL INTELLIGENCE SUPPORTED TEXT ANALYTICS”.

WE DEVELOP OPEN SOURCE CODED TECHNOLOGIES.

In line with the “Nationalization in Technology” strategy, activities were carried on for migration to open-source operating system at client computer. A significant distance was covered and pilot tests started with user groups at the Headquarters and branches. With these activities, a performance increase at client computers is targeted as well as reductions in hardware costs and elimination of operating system software license costs in the near future.

Significant savings were realized in license costs by replacing imported software solutions such as the platform which facilitates 24/7 monitoring of accessibility of services offered for customers, corporate portal application, secure file sharing and virtual server management application with their open source technology equivalents. As we launch open source products, we continue our studies in R&D for information security.

With the implementation of open source code software solutions at our Bank, we expect that our Bank will be a significant reference among public institutions and organizations. Through sharing this important experience, a contribution to reduction of dependence on foreign resources and a significant step towards innovative technologies are targeted.

With transition to open source systems a significant gain will be achieved in terms of security of the country and organizations, important savings opportunities will be provided,

opportunities will be offered for integration among companies providing technological solutions and development of fintechs operating in this area.

INVESTING IN CUSTOMER EXPERIENCE SATISFACTION

With the Contact Analysis Project, the Bank provides analysis of call center contacts with customers to increase Customer Interaction Center performance, improve operational processes and measure customer experience.

Project activities started for analysis, reporting and taking actions for customer feedbacks with “Artificial Intelligence Supported Text Analytics”.

Communication Quality Project was initiated to control the contents of written and oral messages at each interaction point with customer and to ensure these interactions are realized at highest quality standards.

IN 2019, WE ENRICHED OUR HUMAN RESOURCES EVEN MORE WITH NEW PARTICIPATIONS.

Ziraat Katılım enriched its human resources which is its most valuable asset with new participations in 2019. In line with our rapid growing organization structure and based on the needs of our Headquarter and branch units, 169 new colleagues joined us and number of employees reached 1,129 as of 2019 year-end.

Ziraat Katılım added 13 new branches to its branch network and the total number of branches reached 93.

THANKS TO ALL WHO CONTRIBUTE TO OUR SUCCESS IN 2019.

We continue our devoted efforts to increase our contribution to real economy in line with our values and ethical principles which are reflections of our well-established corporate culture.

As we carry on conducting our projects staying connected to our mission of expanding participation banking, our ultimate target is to create value for Turkish economy at an increasing rate and to support sustainable development through multiple ways.

On behalf of myself and Ziraat Katılım management team, I would like to express my gratitude to all our stakeholders, particularly our employees, who are with us in our journey to reach higher targets and who contribute to our successful performance.

Respectfully,

Metin ÖZDEMİR
CEO



ONE-HALF IS MORE THAN THE WHOLE

THE STRENGTH WE GET FROM YOU IS WHAT WE SHARE WITH YOU. YOU LOSE NOTHING BY SHARING GAINS: BUT YOU DO GAIN A PARTNER.

ZIRAAT KATILIM

GROWTH THROUGH SHARING

Macroeconomic Outlook

WORLD ECONOMY

In 2019, US Central Bank (Fed) changed its policy taking into account the slowdown in US Economy and started adopting expansionary monetary policies again.

As increase in concerns over the future of global economy reduced global demand, growth expectations of countries were revised downwards. Commodity prices, particularly oil prices, fluctuated during the year as a result of additional sanction threats of USA President Trump for Iran and Russia and instability observed in oil exporting countries.

Expectations for 2019 were; recovery of USA economy will continue, the Fed will reduce its balance sheet by increasing interests, European and Japanese Central Banks will continue their expansionary monetary policies and growth in developing countries will accelerate. However, the Fed decreased interests by 75 basis points and increased liquidity starting with the second half of the year considering the slowdown in US economy. At the Fed meeting minutes, interest reductions were positioned as re-arrangement of policy standing, rather than the start of an easing period. Monetary policy makers, who are facing slow global growth and pressures of President Trump, give hints of continuing interest reductions in the future to maintain growth of USA which has been going on for a record period of time.

Despite decreasing rate of unemployment in Euro zone, downward trend in PMI data confirms economic shrinkage. In this context, European Commission reduced its growth expectation for Euro Zone. Moreover, ECB announced that it has restarted its asset purchase program as a result of decrease in domestic demand, industrial production and increase in economic weakening. ECB also decreased deposit interests by 10 basis points more from 0.40% to -0.50%.

ECB stated that it will continue its expansionary monetary policy unless an obvious recovery is observed in European economy. It is anticipated that negative interest will continue in the following period.

As the Fed started adopting an expansionary monetary policy in 2019, markets in developing countries started to rise and currencies of these countries gained value. However, continuing structural deficiencies in developing countries constitute a barrier for incoming capital flow to these countries.

Fluctuating course of commodity prices during the year had a relatively negative impact on economies of developing countries. Central banks around the world continued to diversify their

IN 2019, US CENTRAL BANK (FED) CHANGED ITS POLICY TAKING INTO ACCOUNT THE SLOWDOWN IN US ECONOMY AND STARTED ADOPTING EXPANSIONARY MONETARY POLICIES AGAIN.

reserves and accelerated their gold purchases which they regard as safe harbor. This demand in gold caused the rise of gold prices. On the other hand, phase one trade deal was signed between USA and China. This deal states that, in return for USD 200 million of increase in agriculture, product and energy purchases of China from USA in the next two years, USA will remove additional tariffs applied to China in December.

Currencies and markets of developing countries were affected positively from the increase in global risk appetite resulting from this phase one trade deal between China and USA.

TURKISH ECONOMY

In 2019, as a result of the stabilization trend in Turkish economy, interests and inflation followed a significant downward course and TL gained stability. Particularly as a result of base effect in the second half of the year, single digits were achieved in inflation and Central Bank reduced policy interest by 1,200 basis points. As the improvement in inflation continues, Central Bank will continue decreasing interests. Moreover, most recent manufacturing industry data is an indication of a faster turn of the wheels of economy compared with prior year.

Foreign institutions also started to raise their expectations of Turkey's growth considering these developments. The World Bank raised its growth expectations for Turkey for 2020-2021 and announced them as 3% and 4%. Additionally, Turkey's 5-year CDS premium was realized as 272 in December, a premium figure below 300 points for the first time since February 2019.

The economy administration took the required steps and developed effective policies to provide sustainable growth, to keep inflation under control and to maintain fiscal discipline. In this context, New Economy Program was introduced by the Ministry of Treasury and Finance, covering the 3-year period for 2020-2022.

In 2019, while promising developments were realized in terms of foreign trade data, current account balance demonstrated a surplus annually. USD 180.5 billion of exports was realized in 2019 which was a record in the history of Turkish Republic. Export/import coverage ratio increased by 9.3% from 76.5% to 85.8%. This improvement is expected to continue in the following period. In tourism revenues, an increase beyond expectations was observed, number of visitors increased by approximately 15% when compared to prior year. In the following period, Turkey's tourism revenues are anticipated to increase even more than expectations as a result of competitive currency and service quality.

IN 2019, AS A RESULT OF THE STABILIZATION TREND IN TURKISH ECONOMY, INTERESTS AND INFLATION FOLLOWED A SIGNIFICANT DOWNWARD COURSE AND TL GAINED STABILITY.

In 2019, global economy was shaped in line with the Fed's expansionary monetary policy and trade wars. Re-appearance of signs of slowing in Europe and USA provided interest reduction opportunities for Central Banks of both developed and developing countries.

In Turkey, an economic stabilization process was conducted in 2019 and significant improvements were recorded in macro-economic data. For the following period, it is anticipated that capital inflow will increase, TL will remain strong with the support of CBRT's tight monetary policy and inflation will remain at single digits. Moreover, with the acceleration of capital inflow to developing countries, it is also anticipated that Turkey will grow beyond expectations as well.

Evaluation of 2019: Strategies, Developments and Future Goals

ZIRAAT KATILIM MAINTAINED ITS STRONG FINANCIAL AND OPERATIONAL PERFORMANCE IN 2019, GENERATING A PROFIT OF TL 516.7 MILLION, AN INCREASE OF 60% OVER THE PREVIOUS YEAR.

Ziraat Katılım maintained its strong financial and operational performance in 2019, generating a profit of TL 516.7 million, an increase of 60% over the previous year.

In order to meet the financial needs of its customers through the right channels at the right time and with the right value proposition, Ziraat Katılım has continued to be the reliable solution partner of its customers in corporate and retail banking business lines by ensuring product, service and distribution channel diversity in line with participation banking principles and by increasing service quality.

With the new products and services that will contribute to the development of participation banking, Ziraat Katılım provides the most appropriate source of financing for its stakeholders and enhances its service quality day by day.

Ziraat Katılım will continue to increase the support it provides in financing to the real sector and its contributions to economic growth in the future, in line with Turkey's 2023 targets.

CORPORATE AND ENTREPRENEURIAL BANKING

Ziraat Katılım continues its operations at full speed to ease SMEs access to financing and provide them with the most favorable conditions. In this context, two protocols were signed between the Bank and Credit Guarantee Fund, "Program on Competitiveness of SMEs- COSME" on 12 April 2019 and "CGF Support Credit" on 27 May 2019.

In cooperation with KOSGEB, our Bank signed Düzce and Istanbul Emergency Support Credit Protocol to provide favorable financing for businesses who were affected by the flood and landslide occurred on 17 August 2019 at Eminönü Tram Underpass and Spice Bazaar Underpass.

Standing by the tradesmen who are in need of emergency financing support, Ziraat Katılım will continue its contributions to SMEs who have significant roles in our country's production and commercial ecosystem.

Providing the most appropriate solutions and value propositions for the needs and expectations of its individual and corporate customers through the most appropriate channels, Ziraat Katılım conducts comprehensive activities to increase its product variety. In this context, credit card studies which started in the third quarter of 2019 continue at full speed to meet customers' expectations and increase their satisfaction.

EMV product was launched which added contactless transaction feature to Ziraat Katılım's bank cards and enabled them to be used in e-commerce. Virtual

POS product which was launched in April 2019 will continue to expand in 2020.

To increase finance transaction process quality of its corporate customers who already have active limits, Ziraat Katılım launched a "Mobile Financing" option where customers can conduct their finance transactions without coming to the branch through Participation Mobile. The Bank will continue its activities to facilitate its customers' access to financing and to allocate funds with favorable terms.

In accordance with the regulation amending the "Regulation on Procedures and Principles for the Acceptance and Withdrawal of Deposits and Participation Funds and Deposits, Participation Funds, Custody and Receivables Undergoing Lapse of Time" published at the Official Gazette numbered 30569 dated 18 October 2018, a new application became available which allows participation banks to collect funds with Investment Proxy Agreement.

In this context, Ziraat Katılım started fund collection transactions via Investment Proxy Agreements for corporate customers on 15 July 2019. "Communique on Maturities and Types of Deposits and Participation Funds" published in the Official Gazette numbered 30809 dated 22 June 2019 allows participation accounts based on Investment Proxy Agreements to be opened with maturities less than 1 month. Hence our corporate customers are also allowed to open participation accounts with maturities less than 1 month.

ZİRAAT KATILIM CONTINUED TO BE THE CUSTOMERS' PREFERENCE IN 2019 WITH ITS INNOVATIVE APPLICATIONS, EXPERT EMPLOYEES AND WIDE-SPREAD SERVICE NETWORK.

RETAIL BANKING

With the objective of offering the most appropriate products and services through the most appropriate channels based on the needs of varying customer groups in Retail Banking, Ziraat Katılım continued to be the customers' preference in 2019 with its innovative applications, expert employees and wide-spread service network.

Ziraat Katılım intermediates in issuance of Gold-based Lease Certificates in order to bring gold from under-the-mattress into the economic system and to provide new resources. As an intermediary bank registered by Republic of Turkey Ministry of Treasury and Finance, the Bank realized Gold-based Lease Certificate issuances between December 2018 and February 2019 across Turkey through its 61 branches in 29 cities.

In order to support its customers' house purchases and to contribute to activity in construction industry, Ziraat Katılım participated in the housing financing campaign at 0.99 profit margin started by three public banks in the second quarter.

Ziraat Katılım cooperated with automotive brands manufacturing in Turkey to support domestic production. The Bank offered Vehicle Financing Packages Specific to Domestic Production to its customers who

purchase 0 km domestic passenger and commercial vehicles.

PROJECT FINANCING AND FINANCIAL PARTNERSHIPS

FZK Mühendislik ve Sınai Yatırımlar A.Ş.

FZK, the first Musharakah Investment in manufacturing area in participation banking, was included in accredited firms list of the Directorate of Defense Industry. Conducting joint projects with TUSAŞ and ASELSAN, the Company successfully performed its role in the production of Korkut Low Level Air Defense Armor System and contributed to its placement in our army's inventory.

Yünsa Yünlü Sanayi ve Ticaret A.Ş.

Within the scope of financial partnerships, the Bank purchased 57.88% of shares of Yünsa with its subsidiary Sürmegöz Tekstil Yatırım A.Ş. from Hacı Ömer Sabancı Holding. Yünsa is the largest woolen fabric producer of Europe operating under one roof and 5th largest in the world. The target is to increase production and exports of Yünsa which currently exports 75% of its sales.

Livzym Biyoteknoloji Arge A.Ş.

The Bank purchased 6% shares of the company which produces enzymes in biotechnology with an import-substitution policy within the scope of financial partnerships and supported the firm's production activities.

Renewable Energy Sources

Ziraat Katılım prioritizes supporting renewable energy sources in line with our country's strategy and priorities in energy area. The Bank realized project financing at an amount of TL 755 million in renewable energy area as of 2019 year-end.

2020 Outlook

- Efficiency improvement activities in financial partnerships will be conducted.
- Financial partnerships will continue with domestic and national companies which have import-substitution policies
- Studies are carried out to establish crowd financing infrastructure and implementation.

DIGITAL BANKING

Ziraat Katılım utilizes alternative distribution channels extensively to reach larger number of customers in addition to its wide service network. In 2019, innovative applications gained speed to increase effective use of alternative channels to ensure these channels are preferred as much as branches.

In 2019, Ziraat Katılım's number of active ATMs increased by 13.64% YoY to reach 75, number of active customers using Internet Banking increased by 57% to reach 166,588 and number of transactions over this channel reached TL 12.3 billion.

Participation Mobile application was updated as follows;

- A flexible structure was set up to provide customers with faster transaction capability with its customized main screen.
- An expanded and detailed transaction set was implemented considering customer needs.
- Pre login screens, smart menu and modern designs were used.

Evaluation of 2019: Strategies, Developments and Future Goals

INTERNET BANKING CUSTOMERS INCREASED BY 57% TO REACH 166,588 AND NUMBER OF TRANSACTIONS OVER THIS CHANNEL REACHED TL 12.3 BILLION.

Internet Banking and Mobile Banking

- Mobile Financing product which allows customers to obtain financing through mobile branch without coming to the branch was launched. In addition to this project, Mobile Proxy Project pilot studies started.
- In line with the Bank's strategy, Artificial Intelligence and Open Banking workshops were realized within the scope of Ziraat Katılım Digital Days to increase digital awareness.
- In order to ease customers' entry to Participation Mobile, Single Password access to application is offered for determined devices as an alternative to access via SMS.
- "Digital Approval" project started which will enable the Bank to receive customer approvals using Mobile Banking and Mobile Approval capabilities instead of signed forms received at branches.
- Studies on remote customer gain (application via video chat, biometric face recognition technologies), corporate web site update and integration of Chatbot applications to Bank channels are being carried out.

Centralized Banking

- 899 Centralized Banking Branches continue their operations to serve customers who opened their accounts via correspondent banks and Web.
- 41,000 calls were answered at the Solution Support Center.
- 63,400 outbound calls were realized at the Solution Support Center.
- Customer retention and deposit calls activities were conducted at the Solution Support Center.
- Customers who applied from the Web with missing contracts were regularly called and ensured that they have signed their contracts by informing via SMS.
- The Bank started to work with the Telekurye company to obtain the contracts of customers applying from the website without them having to go to the branch.

Customer Satisfaction and Communication Quality

- In order to increase the performance of the Customer Communication Center, to improve operational processes and to evaluate the customer experience, Call Analysis Project is being conducted to analyze calls conducted with customers.
- In 2019, a total of 8,883 notifications were resolved at the Customer Satisfaction Unit. 2,111 of these resolved notifications were customer complaints.
- The average resolution period for all notifications in 2019 was 1.32 days and the average resolution period for the complaints was 2.75 days.
- The ISO 10002: 2014 Customer Satisfaction Management Quality Certificate, which was received in the

first year of the Bank's establishment and indicates that customer notifications were answered to a high standard of quality and were undergoing continuous development according to international standards, was renewed in 2018.

- Studies are being carried out to analyze customer notifications with text analytics (artificial intelligence).
- In accordance with the customer-oriented business discipline, customer notifications are reviewed within the same day received and responses are provided to customers within two business days at the latest.

TREASURY MANAGEMENT AND INTERNATIONAL BANKING

In line with the real sector and foreign trade financing strategy...

Ziraat Katılım expanded its asset size by more than 60% in 2019, while pursuing a strategy to finance majorly the real sector and foreign trade.

Ziraat Katılım pressed ahead with its resource diversification in asset liability management with the main resource being participation funds, and it established a liability base of the balance sheet taking into consideration optimum cost and term. The Bank adopted a strategy of effectively managing the pools of participation funds. Moreover, obtaining a syndication credit from international markets and two subordinated loans from domestic resources, Ziraat Katılım not only created resource diversity and also strengthened its funding structure. The Bank participated Takasbank's Gold Transfer System and became a member. Customers of domestic member banks can perform gold EFT transactions in this system.

Furthermore, Ziraat Katılım participated in BİGA Project conducted by Takasbank and transfer transactions between member banks were made at the first phase.

Ziraat Katılım has effectively deployed interbank borrowing and financing products to fulfill the required reserve liability and to meet its liquidity needs in line with the principles of participation banking, and to assess the surplus and fulfillment of reserve requirements.

Correspondent Relations

In 2019 Ziraat Katılım established a swift correspondent relationship with a significant number of banks by completing the legislative compliance processes and quickly met the requests in the foreign trade field. In 2019, Ziraat Katılım reached 42 different correspondent accounts in 16 different currencies and signed mutual wakalah/murabahah contracts with numerous banks. Foreign funds were obtained to increase resource diversity through murabahah and wakalah transactions within the frame of these contracts.

Ziraat Katılım, which plays an active role in the capital markets as a part of its strategy to enrich the resource structure, obtained issuance approval with ceilings of TL 500 million, TL 4 billion and TL 8 billion from the Capital Markets Board to issue three separate TL denominated lease certificates in the local market with its affiliates, Ziraat Katılım Varlık Kiralama and ZKB Varlık Kiralama. Within this framework, issuances were made in different amounts with a total of TL 8.2 billion.

IN 2019 ZIRAAT KATILIM ESTABLISHED A SWIFT CORRESPONDENT RELATIONSHIP WITH A SIGNIFICANT NUMBER OF BANKS BY COMPLETING THE LEGISLATIVE COMPLIANCE PROCESSES AND QUICKLY MET THE REQUESTS IN THE FOREIGN TRADE FIELD.

In 2019, Ziraat Katılım continued to provide long term resources from the World Bank and various other development banks, for financing SMEs and foreign trade financing and to maintain its financing support for SMEs and the real sector.

Ziraat Katılım aims to complete the following steps in 2020:

- Significantly increase the number of correspondent banks and the level of foreign trade volume,
- Use a murabaha syndicated loan with the participation of international banks,
- Continue issuing lease certificates in the domestic markets,
- Add depth to the capital markets by carrying out corporate lease certificate issuances in favor of third parties other than Ziraat Katılım, through the newly established asset leasing company,
- Provide increasing support to the real sector by maintaining a supply of resources from international institutions for the financing of SMEs and foreign trade,
- Mediate new transactions within the scope of country loans.

Credit and Foreign Trade Operations

E-Release/E-Mortgage

E-release and e-mortgage protocols were signed between the Bank and General Directorate of Land Registry and Cadaster with the objectives of shortening transaction times of land registry transactions, decreasing the work load of the personnel and providing customer satisfaction by effective and fast services. E-release transactions can be performed online at all branches since 10 October 2019. E-mortgage transactions are planned to start in mid-February 2020.

Electronic Letter of Guarantee

Developments in Electronic Letter of Guarantee Project (ETMP) were completed in 2019 and the application was launched. ETMP activities were realized in 2 separate development areas, private sector and public sector. On the private sector side, letters of guarantee can be provided in electronic environment for approximately 150 drawees, including Eximbank.

On the public sector side, pilot application started at Customs Offices and it will be expanded in the following periods. The whole process related with letters of guarantee within the scope of ETMP is performed on the platform provided by Kredi Kayıt Bürosu (KKB). These developments resulted in elimination of paper environment and minimizing the risk.

Evaluation of 2019: Strategies, Developments and Future Goals

Participation Banks Invoice Recording System

Participation Banks Invoice Recording System (KBFKS) was established by the Participation Banks Association of Turkey (TKBB) and Ziraat Katılım participated in this system.

In this system, an invoice pool is formed where all participation banks are included and all documents related with purchases and sales subject to fund use are being sent to this pool.

Duplicate invoice use among

participation banks is prevented with this method, and inquiry and verification of e-invoices can be made from Revenue Administration.

Dir Automation Project

Closing of commitments related with undocumented foreign currency credits allocated within the scope of Export Incentive Legislation, monitoring of documented credits in electronic environment and closing of their commitments at due date can be performed with this project that will ease the lives of Ziraat Katılım customers.

SWIFT GPI

Activities to launch SWIFT GPI product to be used in foreign trade transactions started in 2019, and they are expected to be completed in 2020. With SWIFT GPI, end-to-end monitoring of international payments, monitoring of correspondent bank expenses transparently, reducing status inquiry transactions and pausing payments rapidly and requesting repayment will be possible.

Ziraat Katılım plans to open this product in digital channels for customers' use and achieve a first in participation banking industry. Customers will be able to monitor their payments and correspondent bank expenses transparently.

OPERATIONAL TRANSACTIONS

Ziraat Katılım conducts its operations with the objectives of contributing to operational efficiency and reducing the work load of branches by standardizing participation banking product and service offering processes.

In 2019;

- the number of Filika cards was 1,499
- the number of debit cards was 183,999
- the number of member firms was 2,540
- the number of POS devices was 2,968.

Ziraat Katılım started to collect invoice payments for 203 more institutions. Hence, customers are able to pay their invoices through the Bank. Leasing Standard (IFRS 16) issued by the International Accounting Standards Board and Financial Accounting Standards Board became effective on 1 January 2019 for companies subject to regulation. Ziraat Katılım completed its preparations accordingly and system infrastructure has become ready for calculations required by the new Leasing standard to be used starting from 1 January 2019.

E-collection Project which is conducted by General Directorate of Accounting and Ziraat Katılım allows payments within the scope of this project such as Zoning Amnesty and Paid Military

Service to be made through the Bank and this provided an opportunity to win new customers and products.

Branch Operation Coordination service was formed within Operation Center Department and this provided an opportunity to perform operational transactions of branches centrally, such as contracts, mortgages, cash pledges, vehicle pledges, receivable assignments, sales promise contracts, entries, exits and updates.

Within the scope of activities to perform centrally executed transactions at standard formats in digital environment, lien documents submitted to Ziraat Katılım through National Electronic Notification System (UETS) can be entered automatically into the system starting a flow and a response letter is created after customer inquiries. An automatic payment order infrastructure will be set up for taxes to ensure customers make their tax payments timely and effectively. Customers will be able to manage their cash flows through the Bank. Lien response letters will be sent through Registered Electronic Mail system.

With the planned developments, it will be possible to send lien documents through the system and this transaction will be free of charge. Thus, transactions will be performed through the system in a paperless form in line with the Bank's digitalization strategic plan.

An infrastructure will be set up to provide collection of tax and social security payments flawlessly and rapidly through Barcode and QR system. This application will contribute to labor savings.

INFORMATION TECHNOLOGIES

Ziraat Katılım, which aims to improve customer experience in the field of information technologies and thus increase productivity, quality and speed, has achieved significant progress by integrating the innovation and change management demanded by the current era with its systems and processes.

The following significant projects were completed in Information Technologies:

- Open Source Operating System migration infrastructure studies were completed and pilot branch extension activities started.
- Ziraat Katılım and Ziraat Leasing merger was completed.
- Participation account based on investment proxy product was formed.
- Self-service reporting platform set-up and report governance activities were completed.
- Digital Channel Analytics Project was completed.
- Automatic intelligence infrastructure was set up for foreign trade flows.
- Management of currency fluctuation controls was established.
- Competence-based performance evaluation system was set up.
- Mobile Financing and Mobile Proxy Projects were completed.
- E-letter of guarantee project was completed.
- Participation Insurance Platform Implementation was realized.
- Forward Transactions with Customers were made available.
- Desk-top virtualization platform was set up for the Call Center.
- Main Data Center Superonline lines were backed up to receive service from a different pop.

FINANCIAL MANAGEMENT

Periodic controls are being performed to accurately record all transactions in the accounting system in accordance with the uniform chart of accounts, related regulations and legislation to provide healthy financial statements. During the merging process of Ziraat Finansal Kiralama A.Ş. and our Bank in 2019, which was a first in our industry, all transactions related with this merger on the financial data were realized in accordance with the relevant legislation and financial statements were prepared without any problems.

In order to meet the needs of domestic and international users of financial information, the Bank's financial data are being disclosed to the public and reported to official authorities in a reliable and transparent manner and in accordance with international standards. Within the scope of our Bank's internal and external audits, auditor's requests are met without exception and our Bank's legal obligations are fulfilled. Also, healthy operation of the Bank's business processes is being regularly tested.

In addition to systematic reporting to official authorities, new generation presentation applications are used for asset and liability committee reporting to the Bank's senior management, hence providing senior management Access all kinds of information they need. The budget is prepared in accordance with the Bank's strategic targets and compliance of performances of units is controlled.

IN ORDER TO HAVE OUR EMPLOYEES UNITE AROUND THE SAME VISION AND STRATEGY TO REACH COMMON TARGETS, A FAIR, COMPETITIVE AND NUMERIC CRITERIA BASED PERFORMANCE EVALUATION SYSTEM WAS SET UP.

In order to have our employees unite around the same vision and strategy to reach common targets, a fair, competitive and numeric criteria based performance evaluation system was set up. Employee performance and customer profitability are being measured and performance premium payments are made to employees based on the principles determined based on success listings formed as a result of individual performance evaluations. Competence application was implemented with the objectives of creating a common language within the Bank to provide for a performance-focused communication, to convey these properties and behavior to our employees and to harmonize employees' knowledge, skills and behavior with the Bank's vision, strategy and goals.

ONE-HALF IS MORE THAN THE WHOLE

THE STRENGTH WE GET FROM YOU IS WHAT WE SHARE WITH YOU. YOU LOSE NOTHING BY SHARING WHAT YOU KNOW: BUT YOU DO GAIN A HOST OF STUDENTS.

ZIRAAT KATILIM

GROWTH THROUGH SHARING

Human Resources

WITH THE AWARENESS OF HUMAN RESOURCES HAVING THE LARGEST SHARE IN ACHIEVING SUSTAINABLE GROWTH AND EFFECTIVE PERFORMANCE, ZIRAAT KATILIM HOLDS ADVANCEMENT EXAMS EVERY YEAR TO PROVIDE EMPLOYEES A FAIR ADVANCEMENT OPPORTUNITY IN THEIR CAREERS.

In line with its targets of sustainable development and growth, Ziraat Katılım continued to provide effective services to its customers, with 1,129 employees and 93 branches, in 43 provinces as of the end of 2019.

Using modern human resources applications, the Bank recruited 169 employees in 2019 and continued to support employment.

Having adopted the principle of offering equal opportunities to its employees, Ziraat Katılım has prioritized raising the managers of the future from its in-house human resources. Accordingly, Manager Candidate Program was launched. In 2019, 58% of those who completed the Manager Candidate Program successfully were promoted to managerial positions.

With the awareness of human resources having the largest share in achieving sustainable growth and effective performance, Ziraat Katılım holds advancement exams every year to provide employees a fair advancement opportunity in their careers. In this context, the Bank continued its

collaboration with Sabahattin Zaim University and held a professional-title promotion examination. Employees that were successful in the exam were promoted to a higher position.

Ziraat Katılım cares about its employees' opinions in human resource practices and methods and obtains their feedback. Accordingly, the Bank conducted Internal Customer Satisfaction Survey in 2019 as in prior years which it uses to assess and make improvements as needed.

In addition to expanding and developing interest free finance system in our country with its branching activities, Ziraat Katılım aims to open branches and represent our country in other countries as well. In this context, 13 new branches were opened in 2019. Sudan branch opening activities are being carried out and it is planned to be opened in 2020.

In accordance with the Occupational Health and Safety Law No. 6331 and Emergency Situations in the Workplaces, the Emergency Case drills were carried out with the support of the Occupational Health and Safety professionals and with the participation of the staff from the Head Office.

Ziraat Katılım manages the professional development of its employees in a planned manner.

In order to achieve this and advance their academic careers as well as their personal development, the Bank has cooperated with distinguished universities. In training management processes, technology use rate is

increased and a system was set up where employees can track their individual training history and request trainings based on their needs.

In-house and external trainings for Ziraat Katılım employees' development continued in 2019. Trainings were provided for 2,578 participants in 33 different training programs, 8,399 days/employee was delivered. Feedback training is held for effective use of the performance system with the participation of all managers.

Ziraat Katılım defines using in-house trainers in their trainings as a strategic target and organized a Train the Trainer program for its employees in the in-house trainer pool.

Within the scope of creating a common corporate culture Sharing Talks event was initiated at Maltepe Service Building Conference Hall at the second half of the year and a total of 4 events were organized which brought together the employees and experts in various areas.

"Islamic financing and Malesia Participation Banking Practices" training program was held to develop participation banking in our Bank and our country.

Balance Sheet Reading Techniques, Sales and Effective Portfolio Management and Credit Assessment trainings are being organized for all Retail employees in line with systematic transformations of Individual Portfolio structure into Retail.

Affiliates

ZIRAAT KATILIM'S FIRST PARTNERSHIP

Ziraat Katılım Varlık Kiralama A.Ş., which was Ziraat Katılım's first partnership with a subsidiary status, was established on 22 January 2016 with a capital of TL 50,000.

Ziraat Katılım Varlık Kiralama A.Ş.

Ziraat Katılım Varlık Kiralama A.Ş. was established on 22 January 2016 with a capital of TL 50,000, paid entirely by Ziraat Katılım with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB) to exclusively issue lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, İstanbul.

As of 31 December 2019, the company had no personnel.

Lease certificates with TL 300,000,000 nominal value, 95-day term, redemption date of 14 January 2020 and ISIN code "TRDZKVK12023" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 11 October 2019 with the approval of General Directorate of Stock Exchange dated 12 June 2019 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 15 October 2019.

Lease certificates with TL 400,000,000 nominal value, 96-day term, redemption date of 29 January 2020 and ISIN code "TRDZKVK12031" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 11 October 2019 with the approval of General Directorate of Stock Exchange dated 12 June 2019 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 30 October 2019.

Lease certificates with TL 650,000,000 nominal value, 98-day term, redemption date of 21 February 2020 and ISIN code "TRDZKVK22014" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 15 November 2019 with the approval of General Directorate of Stock Exchange dated 12 June 2019 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 19 November 2019.

Lease certificates with TL 500,000,000 nominal value, 96-day term, redemption date of 11 March 2020 and ISIN code "TRDZKVK32013" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 6 December 2019 with the approval of General Directorate of Stock Exchange dated 12 June 2019 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 10 December 2019.

Lease certificates with TL 600,000,000 nominal value, 98-day term, redemption date of 3 April 2020 and ISIN code "TRDZKVK42012" were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 27 December 2019 with the approval of General Directorate of Stock Exchange dated 12 June 2019 and they are being traded at Debt Instruments Outright Purchases and Sales Market between qualified investors since 31 December 2019.

Payments of redemption of TL 300,000,000 and coupon payments of TL 18,123,300.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 5 July 2019 with TL 300,000,000 nominal value, 98-day term, redemption date of 11 October 2019 and ISIN code "TRDZKVKE1916" have been completed on 11 October 2019.

Payments of redemption of TL 400,000,000 and coupon payments of TL 19,695,880.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 26 July 2019 with TL 400,000,000 nominal value, 91-day term, redemption date of 25 October 2019 and ISIN code "TRDZKVKE1924" have been completed on 25 October 2019.

Payments of redemption of TL 650,000,000 and coupon payments of TL 30,192,045.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 9 August 2019 with TL 650,000,000 nominal value, 98-day term, redemption date of 15 November 2019 and ISIN code "TRDZKVKK1918" have been completed on 15 November 2019.

Affiliates

Payments of redemption of TL 500,000,000 and coupon payments of TL 22,945,200.00 for the lease certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 28 August 2019 with TL 500,000,000 nominal value, 100-day term,

redemption date of 6 December 2019 and ISIN code "TRDZKVKK1918" have been completed on 6 December 2019.

Payments of redemption of TL 500,000,000 and coupon payments of TL 19,331,500.00 for the lease

certificates which were issued by Ziraat Katılım Varlık Kiralama A.Ş. on 17 December 2019 with TL 500,000,000 nominal value, 92-day term, redemption date of 21 December 2018 and ISIN code "TRDZKVKK1928" have been completed on 17 December 2019.

ISIN Code of Lease Certificate	TRDZKVK12023
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 300,000,000
Nominal Value of Sale	TL 300,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	14.01.2020 - 95 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 13.25%, Annual Compound Rate 13.91319%, Return Rate 3.44863%

ISIN Code of Lease Certificate	TRDZKVK12031
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 400,000,000
Nominal Value of Sale	TL 400,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	29.01.2020 - 96 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 12.90%, Annual Compound Rate 13.52579%, Return Rate 3.39288%

ISIN Code of Lease Certificate	TRDZKVK22014
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 650,000,000
Nominal Value of Sale	TL 650,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	21.02.2020 - 98 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 11.75%, Annual Compound Rate 12.26418%, Return Rate 3.15479%

ISIN Code of Lease Certificate	TRDZKVK32013
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 500,000,000
Nominal Value of Sale	TL 500,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	11.03.2020 - 96 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 11.25%, Annual Compound Rate 11.72471%, Return Rate 2.95890%

ISIN Code of Lease Certificate	TRDZKVK42012
Type of Lease Certificate	Lease Certificate
Sale Type	Sale to Qualified Investors
Nominal Value of Issuance	TL 600,000,000
Nominal Value of Sale	TL 600,000,000
Amount Sold by Allocation Method	Qualified Investor (100%)
Issue Price	TL 1
Term of the Lease Certificate	03.04.2020 - 98 days
Redemption Plan of the Lease Certificate Issued	Bullet repayment (principal and return) at maturity
Return of Lease Certificate	Annual Simple Rate 9.90%, Annual Compound Rate 10.26398%, Return Rate 2.65808%

ZKB Varlık Kiralama A.Ş.

ZKB Varlık Kiralama A.Ş., which is Ziraat Katılım's second partnership with a subsidiary status, was established on 8 September 2017 with a capital of TL 50,000.

ZKB Varlık Kiralama A.Ş. was established on 8 September 2017 with a capital of TL 50,000, paid entirely by

Ziraat Katılım with the authorization obtained from the Banking Regulation and Supervision Agency (BRSA) and the Capital Markets Board (CMB) to exclusively issue lease certificate within the framework of the Communiqué on Lease Certificates (III-61.1) of the CMB, which was published in issue 28760 of the Official Gazette, dated 7 June 2013.

The company's head office is located in Fatih, Istanbul.

As of 31 December 2019, the company had no personnel.

The Report on Compliance of Annual Report



**KPMG Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.**

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**CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS'
ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH**

To the General Assembly of Ziraat Katılım Bankası A.Ş.

Qualified Opinion

We have audited the annual report of Ziraat Katılım Bankası A.Ş. ("the Bank") for the period between 1 January 2019 and 31 December 2019, since we have audited the complete set financial statements for this period.

In our opinion, except for the effects of the matter described in the Basis For Qualified Opinion section of Independent Auditor's Reports dated 20 February 2020 the consolidated financial information included in the annual report and the analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent, in all material respects, with the audited complete set of consolidated financial statements and information obtained during the audit and provides a fair presentation.

Basis for Qualified Opinion

As described in the Basis For Qualified Opinion section of Independent Auditor's Report on the complete set of audited financial statements of the Bank for the period between 1 January 2019 and 31 December 2019 dated 20 February 2020; the complete set of consolidated financial statements of the Bank as at 31 December 2019 include a general provision of total of TL 80.000 thousand, of which TL 30.000 thousand had been recognized as expense in prior period, and TL 50.000 thousand was recognized as expense in 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 "Regulation on Independent Audit of the Banks" published in the Official Gazette No.29314 dated 2 April 2015 by Banking Regulation and Supervision Agency ("BRSA Auditing Regulation") and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Annual Report section of our report. We declare that we are independent of the Bank in accordance with the Code of Ethics for Auditors issued by POA (POA's Code of Ethics) and the ethical requirements in the regulations issued by POA that are relevant to audit of financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Auditor's Opinion on Complete Set of Consolidated Financial Statements

We have expressed a qualified opinion on the complete set of consolidated financial statements of the Bank for the period between 1 January 2019 and 31 December 2019 on 20 February 2020.

Board of Directors' Responsibility for the Annual Report

In accordance with the Articles 514 and 516 of the Turkish Commercial Code numbered 6102 ("TCC") and Regulation on the Principles and Procedures Concerning the Preparation of and Publishing Annual Reports by the Bank ("Regulation") published in the Official Gazette dated 1 November 2006 and Numbered 26333, the Bank's management is responsible for the following regarding the annual report:

a) The Bank's management prepares its annual report within the first three months following the date of statement of financial position and submits it to the general assembly.

b) The Bank's management prepares its annual report in such a way that it reflects the operations of the year and the consolidated financial position of the Bank accurately, completely, directly, true and fairly in all respects. In this report, the financial position is assessed in accordance with the Bank's consolidated financial statements. The annual report shall also clearly indicate the details about the Bank's development and risks that might be encountered. The assessment of the Board of Directors on these matters is included in the report.

c) The annual report also includes the matters below:

- Significant events occurred in the Company after the reporting period,
- The Bank's research and development activities.
- Financial benefits such as wages, premiums and bonuses paid to board members and key management personnel, appropriations, travel, accommodation and representation expenses, benefits in cash and kind, insurance and similar guarantees.

When preparing the annual report, the Board of Directors also considers the secondary legislation arrangements issued by the Ministry of Trade and related institutions.

Auditor's Responsibility for the Audit of the Annual Report

Our objective is to express an opinion on whether the consolidated financial information included in the annual report in accordance with the TCC and the Regulation, and analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent with the audited consolidated financial statements of the Bank and the information obtained during the audit and give a true and fair view and form a report that includes this opinion.

We conducted our audit in accordance with BRSAs Auditing Regulation and Standards on Auditing issued by POA. Those standards require compliance with ethical requirements and planning of audit to obtain reasonable assurance on whether the consolidated financial information included in the annual report and analysis of the Board of Directors by using the information included in the audited consolidated financial statements regarding the position of the Bank are consistent with the consolidated financial statements and the information obtained during the audit and provides a fair presentation.

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

A member firm of KPMG International Cooperative

Erdal Tırnak, SMMM

Partner

20 February 2020
İstanbul, Turkey

PART II - MANAGEMENT AND CORPORATE GOVERNANCE PRACTICES

Ziraat Katılım Board of Directors



Hüseyin AYDIN
Chairman of the Board

Hüseyin Aydın graduated from the Faculty Economics, Ankara Economics and Business Sciences Academy in 1981. He began his career as an assistant inspector at Ziraat Bank and served as a director in various departments at Ziraat Bank until 27 March 2003. After working as an Executive Board Member at Halkbank, as a Board Member at Pamukbank and as Vice Chairman at Ziraat Bank, he served as Chief Executive of Halkbank between 31 May 2005 - 14 July 2011. Having joined Ziraat Bank as the CEO on 15 July 2011, Mr. Aydın also serves as the Chairman of the Banks Association of Turkey. Hüseyin Aydın is assigned as the Chairman of the Board of Directors of our Bank since 18 February 2015.



Yusuf DAĞCAN
Vice Chairman of the Board

Yusuf Dağcan graduated from Eskişehir Academy of Economic and Commercial Sciences. He worked as an Assistant Inspector, Inspector and Branch Manager at VakıfBank from 1977 through 2001. He held a seat on the Board of Directors of TAIB Yatırım Bank A.Ş. from 5 September 2007 until 30 June 2008. After assuming responsibility as a member of the Audit Committee at Halkbank from 27 March 2003 until 18 April 2012, Mr. Dağcan was also the Chairman of the Board of Directors of Halk Leasing, a Board Member of Halk Banka A.D. Skopje operating in Macedonia, and Vice Chairman of the Arab Turkish Bank. Continuing his works as Vice President of the Board of Ziraat Bank since April 2012, Yusuf Dağcan is also a Credit Committee Member of Ziraat Bank and Supervisory Board Member at Ziraat Bank Bosnia d.d. Since 18 February 2015, Yusuf Dağcan has been serving as the Vice Chairman of the Board of Directors and Chairman of Credit Committee at our Bank.



Metin ÖZDEMİR
Member of the Board, CEO

Metin Özdemir graduated from İstanbul University (Faculty of Business Administration) in 1990. He started his career at Kuveyt-Türk Finans Kurumu A.Ş. in 1992, and from 1996, he carried on with his business life as an executive in the retail sector. Mr. Özdemir functioned as a member of İstanbul Metropolitan Municipal Council between 2004 and 2014. Mr. Özdemir was a member of the Ziraat Bank's Board of Directors and acted as a member of the Corporate Governance Committee and the Remuneration Committee from April 2012 until 27 May 2019. Mr. Özdemir has been a member of the Board of Directors of Ziraat Katılım since 18 February 2015 and was appointed as the CEO on 12 June 2017. He also serves as the Chairman of the Credit Committee and a member of the Corporate Governance Committee and the Remuneration Committee. Additionally, Mr. Özdemir is also the Chairman of Participation Banks Association of Turkey (TKBB) and Chairman of the Board of Directors of the Association of National Development Finance Institutions in Member Countries of the Islamic Development Bank (ADFIMI).



Cemalettin BAŞLI
Member of the Board

Cemalettin Başlı graduated from Hacettepe University Department of Business Administration in 1981. He got a start in business as Air Traffic Controller at General Directorate of State Airports Authority in 1977. Mr. Başlı worked as Assistant to Financial analyst at VakıfBank between 1984-1985, as Auditor and Credit Foreign Exchange Director at Garanti Bank between 1985-1991, as Branch Manager at Albaraka Türk A.Ş. between 1991-1998, as Credits and Central Branch Manager at Faisal/Family Finance A.Ş. between 1998-2002, as Deputy General Manager at Haliç Finansal Kiralama A.Ş. between 2004-2006, as Deputy General Manager at Ziraat Bank-Moscow between 2009-2012, as member of the Board and General Manager at Kıbrıs Faisal İşlem Bank between 2012-2014 and as a Member of the Board of Ziraat Bank June 2014 - May 2019. Since 18 February 2015, Cemalettin Başlı has been a Member of the Board of Directors, the Audit Committee and the Credit Committee at Ziraat Katılım.



Feyzi ÇUTUR
Member of the Board

Feyzi Çutur graduated from Gazi University (Faculty of Economics and Administrative Sciences, Department of Banking) in 1983. He completed his postgraduate degree at Beykent University, Department of Business Administration of Social Sciences Institution in 2016. He has obtained TÜRMOB Independent Accountant and Financial Advisor and KGK Independent Auditor certificates. After working in managerial positions at various private sector companies from 1977 until 1990, he functioned as General Accounting Manager at Bayındır Menkul Değerler A.Ş. (1990-1998), as Finance and Operations Director, Assistant General Manager, Deputy General Manager and General Manager at Eti Yatırım A.Ş. (1998-2010). He served as the Fund Board Member and Fund Board Chairman at Eti Yatırım and various Mutual Funds owned by Etibank, and held a seat on the Board of Directors of İktisat Yatırım A.Ş. in 2006. From July 2011 until March 2012, he was a Board Member representing the Savings Deposit Insurance Fund (SDIF) at Arab Turkish Bank and its subsidiary A&T Leasing. Being a member of the Ziraat Bank's Board of Directors since April 2012, Mr. Çutur is a member of the Ziraat Bank's Audit Committee and Remuneration Committee, an alternate member of the Credit Committee. He is currently working as a Member of the Board, Credit Committee and Audit Committee member at Ziraat Katılım and as a Member of the Board at Ziraat Bank BH d.d.



MAHMUT KAÇAR
Member of the Board

Mahmut Kaçar graduated from Harran University Faculty of Engineering Department of Environmental Engineering in 1999. He served as the Deputy President of Sağlık-Sen which is an association of Memur-Sen Confederation (union of public officers) between 2002 and 2008, as the President of Sağlık-Sen and the General Secretary of Memur-Sen between 2008 and 2011. He was elected as a member of the parliament from Şanlıurfa and served at 24th and 26th terms of the parliament between 2008 and 2011. He is a member of the Board of Directors of Ziraat Katılım since June 2019. He is also a member of the Remuneration Committee and the Corporate Governance Committee. Additionally, he is a Member of the Board of Directors at Ziraat Bank., Ziraat Hayat ve Emeklilik A.Ş. and Ziraat Sigorta A.Ş. since August 2018.

Ziraat Katılım Senior Management



Dr. Ahmet ORTATEPE
Executive Vice President- Credit Policies

Mr. Ortatepe was born in Adana in 1968. He graduated from Marmara University Faculty of Economics and Administrative Sciences, Department of Business Administration. He received his master's degree from Istanbul University Faculty of Business Administration in 1993 and his doctoral degree from Marmara University Faculty of Business Administration in 2001. Mr. Ortatepe started his banking career at Pamukbank as a Foreign Exchange clerk and promoted to Branch Manager at the same bank in 2001. He started working in Turkish Economy Bank as Commercial Branch Manager in 2003. Following his positions at T.C. Ziraat Bankası A.Ş. as Dolayoba Commercial Branch Manager and Şişli Corporate Branch Manager, he was appointed as Department Manager of Credit Allocation and Management in 2016 and served as CEO and Member of the Board of Directors at Ziraat Finansal Kiralama A.Ş. in 2018. Mr. Ortatepe was acting as a Member of the Board of Directors at Ziraat Yatırım Menkul Değerler A.Ş. since 2018 and was appointed as Executive Vice President-Credit Policies at Ziraat Katılım since 6 May 2019.



Mehmet Said GÜL
Executive Vice President-Information Technologies and Operations

Mehmet Said Gül was born in Kahramanmaraş in 1973. He graduated from Hacettepe University Department of Computer Engineering in 1995. He started his banking career at Anadolu Finans Kurumu in 1997. After serving for many years as system analyst and software development service manager, he continued his career as Software Development Manager at Türkiye Finans Katılım Bankası A.Ş. in 2006. He worked as the Information Systems Coordination Manager as of 2009. In 2014, Mr. Gül worked at the establishment of Ziraat Katılım and acted as a consultant at Ziraat Bank and Ziraat Katılım's Information Technologies Department Head. In 2015, he was appointed as the Group Director of the Information Technologies and Operational Transactions at Ziraat Katılım. Since 23 August 2017 Mr. Gül is the Executive Vice President in charge of Information Technologies and Operations.



Osman KARAKÜTÜK
Executive Vice President-Treasury Management and International Banking

Born in Ankara in 1975, Osman Karakütük graduated from Ankara University Faculty of Political Science. He completed his undergraduate studies in Sakarya University and started his banking career at CBRT Headquarters as a clerk in 1998. In 1999, he started working at Ziraat Bank as an Assistant Inspector and then promoted to Inspector, Chief Inspector, Vice President of the Inspection Board, Branch Manager, İzmir 1st Region Manager, Head of Branch Operations and Head of Channel Management, respectively. Mr. Karakütük was appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Financial Coordination and Human Resources on 15 August 2017 and he has been serving as the Vice President in charge of Treasury Management and International Banking since 24 August 2017.



Tahir DEMİRKIRAN
**Executive Vice President-Loan
 Allocation and Management**

Born in 1967 in İstanbul, Tahir Demirkıran graduated from İstanbul University Faculty of Economics, Department of Economics. He started his career as Assistant Specialist of Financial Analysis and Intelligence at Pamukbank in 1995. He worked as a Specialist and Credits Service Manager at the same bank. Later he served as Financial Analysis and Credits Department Manager, Commercial Branch Manager and Commercial Credits Department Head at Türkiye Halk Bankası A.Ş. and as Board of Directors Member at Halk Leasing. In 2015, he worked as Retail Loan Allocation and Management Group Director at Ziraat Bank. He was appointed as Executive Vice President responsible for Loan Allocation and Management in Ziraat Katılım on 12 February 2016 and is still carrying out the duty.



Temel Tayyar YEŞİL
Executive Vice President-Marketing

Temel Tayyar Yeşil was born in Samsun in 1971 and graduated from Erciyes University Economy department of Faculty of Economics and Administrative Sciences. Mr. Yeşil started his banking career at Pamukbank T.A.Ş. as Assistant Specialist in 1998. He worked as an officer and manager in the Loans and Project Evaluation departments of Türkiye Halk Bankası A.Ş. He acted as Kayseri Commercial Branch Manager between 2010 and 2012. Mr. Yeşil started to work at Ziraat Bank as Loan Allocation and Management Department Head in 2012 and continued as the Regional Coordinator in 2016. He has been appointed as Ziraat Katılım Bankası A.Ş. Vice President in charge of Marketing on 18 July 2017 and is still carrying out the duty.

Managers under the Internal Systems

Name	Position	Education
Fahri ÇELİK	Head of Internal Audit Board	Graduate
Osman ÇETİNER	Head of Internal Control and Compliance Division	Undergraduate
Seher Elif EKİCİ	Head of Risk Management Division	Undergraduate

Fahri ÇELİK

Head of Internal Audit

Fahri Çelik was born in Ankara in 1969. He graduated from Middle East Technical University Department of Statistics. He received his graduate degree from Selçuk University Institute of Social Sciences Department of Business Administration in 2009. He started his banking career in Akbank as assistant auditor in 1997 and he served as Auditor, Corporate Branch Assistant Manager and Branch Manager. In 2013 he was appointed as the manager of Topkapı Entrepreneurship Dynamic Branch in T.C. Ziraat Bankası A.Ş. and started to work as Ziraat Katılım Mecidiyeköy Branch Manager on 29 June 2015. He was appointed as Head of Internal Audit at Ziraat Katılım as of 16 December 2017.

Osman ÇETİNER

Head of Internal Control and Compliance

Osman Çetiner was born in Antalya in 1973. He graduated from Uludağ University Faculty of Economics Department of Finance and received his SMMM license in 2005. In 2014, he also received the Independent Auditor license from Public Oversight Authority. He started his banking career at Kuveyt Türk Katılım Bankası A.Ş. in 1999 as Assistant Specialist of Accounting in Finance Service. He worked at Kuveyt Türk Katılım Bankası A.Ş. at various positions for a total of 16 years, 7 years at managerial positions. He took a role at Turkey's first lease certificate issuance in 2010 by Kuveyt Türk Katılım Bankası in 2010. He was a part of Ziraat Katılım's establishment and started to work as Financial Coordination Department Head at Ziraat Katılım as of 8 April 2015. He is serving as Ziraat Katılım's Head of Internal Control and Compliance since 20 December 2017.

Seher Elif EKİCİ

Head of Risk Management

Seher Elif Ekici was born in İstanbul in 1981. He graduated from Marmara University Faculty of Business Administration, Department of Business Administration in English. She received her SMMM license in 2009. She started her professional career at KPMG Independent Audit firm in 2003 and worked as an auditor in 2003-2004. Later, she started her banking career in 2005 at Anadolu Finans Kurumu Financial Control service under Financial Affairs Department. She took a role in the merger of Anadolu Finans and Family Finans. Between 2007 and 2015 she acted as Specialist, Supervisor and Manager at Risk Management Center Department of Türkiye Finans Katılım Bankası. Ms. Ekici started to work at Ziraat Bank Headquarters as a Manager on 3 February 2015. She was a part of the establishment of Ziraat Katılım and she has been serving as Head of Risk Management Division since 23 June 2015.

Summary Report by the Board of Directors

Uncertainties in global markets due to trade negotiations between USA and China, continuing geopolitical tensions, expansionary monetary direction of central banks of developed countries under the influence of concerns over global economy and disagreements about Brexit were the prominent developments of 2019.

Despite geographical economic developments and geopolitical tensions in 2019, Turkish economy has gone through a recovery process and headed towards a growth path as of the third quarter of the year thanks to the impact of incentive packages announced by the economy administration within the scope of structural transformations and interferences to prevent financial attacks.

With this stabilization process, 2019 has been a positive year for Ziraat Katılım in terms of growth and profitability. Ziraat Katılım demonstrated its influence in the industry in many areas, particularly in terms of total assets and profitability. The Bank's total assets reached TL 36.4 billion and net profit was TL 516.7 billion million.

Ziraat Katılım continued to offer its customers solution-oriented products at favorable costs. Acting with its sustainable growth principle, the Bank increased its cash credit balance by 63% to reach TL 28.9 billion. Total cash and non-cash credits reached TL 40.2 billion.

Ziraat Katılım continued to provide its services without compromising quality through 93 branches with 1,129 personnel, 75 ATMs, Call Center, mobile and internet branches with qualified technological infrastructure.

Ziraat Katılım is the first publicly-owned participation bank to start participation banking operations in line with the principle of More When Shared (Paylaştıkça Daha Fazlası). Ziraat Katılım continues to contribute to the national economy with its strong capital structure and in line with the balanced growth and sustainable profitability principles. Working to bring dynamism and depth to the sector, it meets the needs of its customers with its products in accordance with the principles of Islamic banking.

With its balance sheet structure based on financing which grows with sustainable profitability, efficiency and customer-focused structuring target, Ziraat Katılım continues to work to provide the best service for its customers and our country with the awareness of the responsibilities of its "More When Shared" principle.

Yours respectfully,

The Ziraat Katılım Board of Directors

Information on the Activities of the Committees

CREDIT COMMITTEE

Composed of the Bank's General Manager and at least two members to be elected from the Board of Directors who fulfill the requirements for the General Manager (except time); the Credit Committee is established to perform the duties regarding credits, which will be granted by the Board of Directors. Two alternate members are elected among the Board members who fulfill the requirements for the General Manager (except time) to serve in place of a member of the Credit Committee who cannot participate in any meeting. The Board may delegate its powers for the credit allocation to the Credit Committee or to the General Directorate.

Chairman

Metin ÖZDEMİR
Member of the Board and CEO

Members

Cemalettin BAŞLI
Member of the Board

Feyzi ÇUTUR
Member of the Board

Alternate Members

Yusuf DAĞCAN
Member of the Board

The Credit Committee took 201 decisions in 16 meetings held in 2019.

AUDIT COMMITTEE

The Board of Directors appoints at least two members of the Board who do not have executive responsibilities and whose qualifications are determined by the Banking Regulation and Supervision Agency (BRSA) to form the Audit Committee to assist the fulfillment of the Board's audit and supervision activities.

Members

Cemalettin BAŞLI
Member of the Board

Feyzi ÇUTUR
Member of the Board

The Audit Committee took 30 decisions in 13 meetings held in 2019.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee is formed under the Presidency of a member of the Board who will be determined by the Board of Directors. The main task of the committee is to monitor the compliance of the Bank's corporate governance principles, to carry out improvement activities in this regard and to provide recommendations to the Board of Directors.

Members

Metin ÖZDEMİR
Member of the Board and CEO

Mahmut KAÇAR
Member of the Board and Chairman of the Corporate Governance Committee

The Audit Committee took 1 decision in 1 meeting held in 2019.

REMUNERATION COMMITTEE

The Remuneration Committee consists of at least two members who will be determined by the Board of Directors.

The Committee monitors and audits remuneration practices on behalf of the Board of Directors. In addition, the Committee performs the tasks specified in the relevant regulations issued by the Banking Regulation and Supervision Agency (BRSA).

Members

Metin ÖZDEMİR
Member of the Board and CEO

Mahmut KAÇAR
Member of the Board

The Remuneration Committee took 1 decision in 1 meeting held in 2019.

Number of Board Meetings

The Board of Directors took 237 decisions in 29 meetings held in 2019.

Human Resources Practices and Policies and the Expectations Regarding 2020

Ziraat Katılım Human Resources supports its employees' development and transformation by providing them the opportunity to work based on principles of efficiency, customer focus and profitability. While providing this support, the Bank follows the technological opportunities offered by the changing world and will continue to implement this technology end-to-end in its career and talent development management processes at an increasing rate.

To provide its branches with capabilities to offer more effective services, branch visits are planned with the awareness of Human Resources being near branch employees and with the objectives of resolving branch employees' problems and listening to their suggestions.

In a business world where customer satisfaction is becoming more important, practices and applications determined based on internal customer satisfaction surveys held at specific periods of the year will be implemented.

Ziraat Katılım will speed up its activities to improve effectiveness of its Suggestion System which was launched to receive suggestions and feedback of employees at all times, in addition to the internal customer satisfaction surveys, and it will ensure suggestions submitted are evaluated by the Committee which includes the senior management.

Considering today's world where international communication is inevitable and its importance increases every day, English training support will be offered to all employees to provide support particularly to units who need support in foreign language and to make human resources more qualified.

Ziraat Katılım is planning to implement coaching and mentoring practices to increase its employees' personal and managerial competences.

Ziraat Katılım implemented corporate performance management system in the previous periods with the purposes of providing justice in the organization, more efficient performance of employees and their individual development. The Bank plans to implement new reward practices for employees with outstanding performance in the following periods.

Transactions Carried out with Ziraat Katılım's Risk Group

Ziraat Katılım's relations with the institutions involved in the risk group in which it is included covers all types of banking transactions compliant with the Banking Law and within the framework of regular bank-customer relation

and within the market conditions. The transactions consist primarily of lending, current and participation accounts.

The amounts of the transactions that Ziraat Katılım carried out with its risk

group in 2019 and the explanations regarding this matter are mentioned in the footnote numbered VII of the fifth section of the year-end financial statements, which take place within the annual report.

Companies from which Support Services are Obtained

- Banking and Peripheral Systems Software and Infrastructure Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş., Ziraat Teknoloji A.Ş., Intertech Bilgi ve Pazarlama Tic. A.Ş.
- Cash Group Services from Türkiye Cumhuriyeti Ziraat Bankası A.Ş.
- Swift Transactions and Black List Control Application Services from Fineksus Bilişim Ticaret A.Ş.
- Securities Buying and Selling Application Services from Active Bilgisayar Hizm. Tic. Ltd.
- Security Services from Ekol Grup Güvenlik Koruma ve Eğitim Hizm. Ltd.
- Customer Relations Center services from T.C. Ziraat Bankası A.Ş.
- Check Printing Services from Güzel Sanatlar Basım Ltd.
- Printing Office Services from Bileşim Alternatif Dağıtım Kanalları ve Hizmetleri A.Ş.
- Card Payment Transaction Services from Kartek Kart ve Bilişim Teknolojileri Tic. A.Ş.
- Mortgage Processing and Registration Services from Uz Gayrimenkul Yatırım Danışmanlık A.Ş., AVI Gayrimenkul Yatırım Danışmanlık A.Ş., Mas Global Yatırım ve Danışmanlık Hizmetleri Tic. Ltd. Şti., FU Gayrimenkul Yatırım Danışmanlık A.Ş. and BBS Danışmanlık Gayrimenkul ve Eğitim A.Ş.
- Motorcycle Courier and Delivery Services from Kuryenet Motorlu Kuryecilik ve Dağıtım Hizmetleri A.Ş. and Telekurye ve Dağıtım ve Kurye Hizmetleri A.Ş.
- Insurance Platform Services from Acerpro Bilişim Teknolojileri A.Ş.

PART III - Financial Information and Risk Management

The Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The activities of internal audit, internal control, compliance and risk management in our Bank are carried out respectively by the Supervisory Board, Directorate of the Internal Control and Compliance Department and Directorate of the Risk Management Department, under the Audit Committee.

The following is aimed with the organization that is established in a way to include all units and branches:

- To continue banking operations in a secure manner in line with the legislation, policy, principles and objectives,
- To achieve sustainable profitability targets, to perform the financial and administrative reporting in a timely and secure manner,
- To define Ziraat Katılım's legal, nominal and financial risks, to measure, report, and monitor the risks and to minimize the concerned risks by controlling them.

THE FUNCTIONING OF INTERNAL AUDIT

The Supervisory Board controls whether the operations carried out by the Bank's all units and branches are in accordance with the law and other relevant legislation and the Bank's strategies, policies, principles and objectives; the effectiveness of internal control and risk management systems within the framework of risk-based audit approach.

The Supervisory Board continues to work in such a manner to contribute to the decision-making processes by informing the Bank's Senior Management.

The Supervisory Board assessed the accuracy, effectiveness and efficiency of the operational steps that comprise of primary and secondary processes by auditing the Bank activities' compliance with the processes which they are subjected to in accordance with the provisions of "Regulation on the Bank Information Systems and Banking Processes Audit to be Realized by External Audit Institutions" and "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes".

The Branch, Unit and Process audits were completed at a ratio of 98% in accordance with the Audit Plan prepared to be implemented in 2019. The 2020 Audit Plan preparation works are still ongoing by taking into consideration the risks carried by the branches and units and in a manner compliant with the Bank objectives and policies.

The Management's Declaration pertaining to the 2019 operations, which is prepared in order to present assurance about the effectiveness, adequacy and compliance of internal controls on the Information Systems and Banking processes, was prepared in time by adding the reports regarding the audits of the companies from which information systems processes audits and support services are procured. The Supervisory Board closely monitored the changes stipulated by the legislative regulations, the Banking Regulation and Supervision Agency decisions, the Bank's Senior Management and the Headquarters units, and regularly revised the audit points.

THE FUNCTIONING OF INTERNAL CONTROL AND COMPLIANCE SYSTEM

The purpose of Internal Control activities is to ensure the protection of the Bank's assets, effective and efficient conduct of the operations, unity and reliability of the accountancy and reporting system and timely access to the information.

Within the scope of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", Internal Control activities were configured in a way to cover the operations of the Branches, the Headquarters units and the Subsidiaries Subject to Consolidation.

The branch control activities are carried out remotely and on-site within the framework of the control programs prepared according to the opening dates of new branches, most recent reporting dates and periodical risk situations of current branches.

In order to increase the risk and control awareness during the internal control activities of the branch and to prevent the losses arising from operational risks, the branch personnel were continuously informed.

Control activities in branches are conducted in line with main goals and strategies of the Bank in terms of scope and methods used. In addition to this, a proactive structure is adopted to provide compliance with changing strategy, risk perception and conditions on a timely basis.

In order to make control activities in branches more effective and efficient, they are performed over a web-based Control Model. With the proactive structure adopted, the Bank contributed to compliance of the Bank's operations with external legislation and competitive conditions.

Internal Control activities carried out at the Headquarters units were conducted in compliance with the Bank's main goals and strategies within the framework of law, other relevant legislation, the Bank's internal policies and rules, and common banking practices. Moreover, while carrying out the activities, a proactive approach was adopted to make sure that the compliance to changing strategy, risk perception and conditions is provided without wasting time.

Internal Control system contributed to the carrying out of the Bank's operations in compliance with the domestic and international legislations and competition conditions through the control matrixes that are prepared pursuant to the adopted proactive manner and regularly revised based on the possible changes.

The control periods of Headquarters units were determined by taking into consideration of the functions of the units, the risks they carry, job descriptions and the units' effect on the Bank's balance sheet and were revised in accordance with the needs.

Within our Bank, Internal Control activities were carried out on the following topics: functional segregation of duties; division of responsibilities; establishment of the accountancy and reporting system, the information system and the Bank's internal communication channels in a manner that they will operate effectively; the creation of work flow charts in which the controls on the Bank's work processes and work steps are indicated.

R&D studies are conducted in order to carry out technology-focused, central, and real-time internal control activities, and to help the relevant business units to take a rapid action against the common shortcomings.

The findings revealed as a result of all these activities were periodically conveyed to the Bank's relevant business units and to the Senior Management.

Information Notes were prepared for the issues which are identified during the Internal Control activities carried out in the Headquarters units and the branches and which are considered being in need of rapid action taken and the notes were quickly shared with the relevant units and/or the Senior Management.

In 2019, Recommendation Reports were continued to be prepared for the improvement of processes regarding the operations carried out in the Bank and the establishment of control points on these processes, which will be complied and implemented by the personnel from all levels, increasing the effectiveness

of the controls on the processes, prevention of possible risks, ensuring customer satisfaction and taking cost reducing measures.

Internal Control staff attended numerous trainings during the year for their professional development. In order to increase company-wide awareness for internal control activities, various trainings were organized for Bank employees and Internal Control staff has provided support for those trainings.

Within the framework of 18th article of Assessment Processes of the Banks' Internal System and Intrinsic Capital Adequacy, compliance controls were carried out under the compliance function. In this context, all the operations that the Bank performs or plans to perform with the new transactions and products were controlled in terms of their compliance to law and other relevant legislation, the Bank's internal policies and rules and the banking practices.

The compliance program for the Liabilities Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism was formed in accordance with the "Communiqué on Compliance with Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism". Activities aimed at preventing the laundering of proceeds of crime have been carried out in line with national and international regulations and standards. Accordingly, the Compliance Service Unit performs the functions of inspection, monitoring, reporting, analysis and control.

The Audit Committee's Assessments of the Operation of the Internal Audit, Internal Control and Compliance, and Risk Management Systems

The Bank's policy for preventing the laundering of the proceeds of crime and financing of terrorism was updated based on Ziraat Finance Group's policy and shared with the public on the Bank's website. Moreover, the Bank's employees are provided with face-to-face and online training regarding the prevention of laundering proceeds of crime and financing of terrorism to ensure they adopt compliance culture at global standards and implement this culture at their work and activities. Compliance Service Management realized branch visits with the same objective.

Within the scope of sectoral activities, the Bank participated a task force formed by TBB's coordination to develop a remote training program which will be offered for use by all financial institutions with sector representatives from 9 different banks. Moreover, the Bank also participated a working group formed in OECD to prevent laundering of the proceeds of crime on an international basis during the process of National Risk Assessment Audits performed by Financial Action Task Force (FATF) which Turkey is also a member, along with sector representatives from 9 different banks.

THE FUNCTIONING OF RISK MANAGEMENT SYSTEM

The main purpose of Ziraat Katılım risk management system is to ensure the definition, measurement, monitoring and control of the risks, to which the Bank is exposed, through the policies and the limits determined to monitor, control, and when necessary to change the operations' nature and level in relation to the risk-return structure that the future cash flows will include.

The main approach in the risk management activities, instilling risk culture across the Bank in accordance with the provisions of "Regulation on Banks' Internal System and Intrinsic Capital Adequacy Assessment Processes", to execute the risk management function with best practices by continuously improving the system and the human resources. The activities carried out within the framework of risk management system are given care to be carried out simultaneously with the contributions of the units that are included in the business line with which each risk type is related.

The risk management activities cover the basic headings of credit risk, market risk, operational risk, liquidity risk and other risks. The final objective is to comply with the best practices.

Within the framework of credit risk management activities, the activities for the definition, measurement, monitoring and reporting of the credit risk by using the methods in compliance with Basel II. In this context, the calculation of the amount subject to credit risk, which began legally as of 1 July 2012, is monthly reported to the BRSA in solo basis. Due to the fact that our Bank became operational in May 2015, there is not adequate data for the measurement of credit worthiness in relation to the advance measurement methods.

The credit risk limits approved by the Board are monitored; the activities to carry out scenario analysis and stress test regarding the credit portfolios are ongoing. Also, the compliance activities with the Basel III regulations and the regulations revised by the BRSA within the framework of Basel are continuing.

Operational risk management activities comprise the definition, classification, measurement, and analysis of the operational risks.

These activities are carried out as part of the Bank's "Operational Risk Management Regulation" that is prepared in accordance with the arrangements issued on 28 June 2012 by the BRSA to comply with Basel II. The compliance with the operational risk limits approved by the Board, which are determined in order to manage operational risks, is periodically monitored. The risks stem from

information technologies and the actions taken are also monitored. The risk assessments are carried out for the companies from which support services are procured within the framework of the BRSA's regulations that are currently in effect.

As part of operational risk, media analysis reports relevant to reputation risk and provided daily from the Bank's Corporate Communication Service are examined.

Within the scope of market and liquidity risks management, measurement, analysis, limiting, reporting and monitoring activities are carried out pertaining to liquidity risk and dividend rate risk stemming from banking calculations. The analyses conducted are supported with stress test. The compliance to the market and liquidity risk limits, which are approved by the Board and determined

to manage the concerned risks, is periodically monitored. Also, Value at Risk is calculated daily with the internal models regarding exchange risk as part of market risk and retrospective test analyses are carried out for these models.

The results of the analyses carried out within the scope of risk management activities and risk indicators are reported annually to the Board of Directors, at three months periods to the Audit Committee, at weekly and daily periods to the operational units.

In order to increase the internal systems personnel's individual and occupational development, the personnel was ensured to attend internal and external training, conference and seminars, thus, their practical knowledge level is constantly being developed..

Ziraat Katılım's Financial Standing, Profitability and Solvency

Starting operations in 2015 with the principle of "Achieving More by Sharing", Ziraat Katılım increased its total assets by 64% YoY to TL 36.4 billion and shareholders' equity to TL 3.2 billion rising by 43% compared to the previous year, in parallel with the strategy of increasing the share of participation banking from the sector.

Cash loans increased by 63% compared to the previous year and reached 79% of total assets. When compared to previous year, cash loans increased by TL 11 billion while non-cash loans increased by TL 1 billion.

Funds collected continued to be the most significant fund resource at Ziraat Katılım's liabilities in 2019. Funds

collected increased by 68% in December 2019 in comparison with 2018 year-end and reached TL 25.5 billion. Share of funds collected in balance sheet was 70%, and it consists of 16% Private Current Accounts and 84% Participation accounts. Moreover, current accounts increased by 74% in comparison with 2018 year-end and reached TL 4.1 billion.

Ziraat Katılım closed the year 2019 with a profit of TL 516.7 million with its principles of balanced growth sustainable financial performance and profitability. Profit share revenue at an amount of TL 3.6 billion is the most significant revenue item of the Bank. Profit share received from credits is the largest item in profit share revenues. Moreover, Return on Assets was 1.8% and Return on Equity was 19.2%.

The Bank sustained its strong capital structure, high liquidity level and funding capability in 2019. Capital adequacy ratio which was 12.8% at 2018 year-end increased to 16.6 in 2019.

The Bank diversified its resource structure and issued 19 lease certificates through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. Redemption of 14 of these lease certificates were realized during the year.

Ziraat Katılım had two separate subordinated loans in 2019, a secondary capital credit for TL 300 million from its main shareholder T.C. Ziraat Bankası A.Ş. and an additional principal capital credit for EUR 100 million from TWF Market Stability and Equilibrium Sub-fund of Turkey Wealth Fund.

Ratios

%	December 2018 ^{***}	December 2019
Capital		
Capital Adequacy Ratio	12.8	16.6
Shareholders' Equity/Total Assets	10.0	8.7
Asset Quality		
Total Loans*/Total Assets	70.8	65.1
NPL (Gross)/Total Deposit**	1.3	2.3
Total Loans*/Total Deposit	103.7	93.1
Profitability		
Net Profit (Loss)/Average Total Assets	1.7	1.8
Net Profit (Loss)/Average Shareholders' Equity	19.5	19.2
Income-Expense Structure		
Profit Shares Income/Profit Shares Expense	158.4	161.5
Non-Profit Shares Income/Non-Profit Shares Expenses	38.4	37.0
Total Income/Total Expenses	121.8	121.5
Profit Shares Income/Total Income	90.4	90.2
Non-Profit Shares Income/Total Income	9.6	9.8
Profit Shares Expenses/Total Expenses	69.5	67.9
Non-Profit Shares Expenses/Total Expenses	30.5	32.1

*Excludes non-performing loans, includes Financial Lease Receivables.

**Includes Credits Provided to Banks.

***Prepared based on previous period amounts reported.

Information about Risk Management Policies and Activities According to Type of Risk

Ziraat Katılım risk management activities are continued under the basic approach of aligning the risk management function with the best practices by means of instilling risk culture, continuously improvement of the system and the human resources.

The risk management activities cover the main headings of credit risk, market risk, operational risk and balance sheet risks. Policy and application procedures regarding the afore-mentioned risks are governed by regulations approved by the Board of Directors on the basis of each risk type. Care is given to ensure that all risk management system activities are coordinated through the involved participation of the operational branches with which each type of risk is associated.

Within the scope of “Regulation on Banks’ Internal System and Intrinsic Capital Adequacy Assessment Processes”, an Intrinsic Capital Adequacy Assessment Process was formulated. The purpose of this process is to identify the required capital to

cover the exposed/to be exposed risks and to set up a system that will enable the assessment of the capital requirements and levels compatible with strategic goals and the continuity of this system. Analyses are performed in line with BRSA principles and are further supported by means of risk-specific stress tests and scenario analyses.

Compliance to Basel III regulations are carried out within the framework of “Regulation on Measurement and Assessment of Banks’ Leverage Level” and “Regulation on the Capital Conservation Buffer and Loop Capital”. Additionally, the compliance efforts to the regulation amendments made within the scope of Basel by the BRSA and thirteen “Best Practice Guides” published on the Institution’s web site are ongoing.

As part of Basel III liquidity criteria, the Liquidity Coverage Ratio Report is prepared within the scope of “Regulation on the Calculation of Banks’ Liquidity Coverage Ratio” and conveyed to the BRSA.

CREDIT RISK

Credit risk management consists of discovering the credit risks to which the Bank is exposed and defining, measuring, monitoring, controlling, and reporting such risks. The legal reports are prepared by using the standard approach method within the framework of “Regulation on Measurement and Assessment of Banks’ Capital Adequacy”. In this context, Ziraat Katılım’s credit risk exposure is monthly reported to the BRSA on solo basis.

The Leverage Ratio is conveyed to the BRSA and the CBRT in three-month periods.

The Company Assessment System is used in order to evaluate the credit worthiness of the customers who are in Ziraat Katılım’s commercial portfolio. Credit risk limits and trigger values on the basis of risk groups and customer segments, which are approved by the Board of Directors, as well as limits and trigger values of non-performing loan ratio have been calculated. All these values are monitored on a weekly basis.

MARKET RISK

Risk measurement and monitoring activities are carried out in order to reveal the market risks to which Ziraat Katılım may be exposed. The results of these activities are taken into account in the Bank's strategic decision-making processes. The market risks and potential effects of the factors that create the risks are measured and regularly reported to the BRSA by Ziraat Katılım.

The Standardized Approach methodology is used to calculate the Bank's exposure to market risk, the amount of which is included in its mandatory capital adequacy ratio. Within the context of market risk, exchange risk is also calculated on a daily basis using a VaR-based internal model. The effectiveness of the models being used is also analyzed by means of back testing.

In the conduct of its day-to-day operations, trigger values are monitored as part of the early-warning process that is carried out to protect Ziraat Katılım's financial strength from being seriously affected by increases in market volatility. Risk exposure levels are kept within prescribed limits.

OPERATIONAL RISK

Works for monitoring operational risks through the Operational Risk Loss Database are ongoing. The mandatory capital needed to cover the Ziraat Katılım's operational risk exposure is calculated using the Basic Indicator Approach methodology. In order to create a basic integrated risk framework, IT-associated risks and the actions taken are also monitored.

As part of the Business Continuity Plan, "Business Impact Analyses" works are completed in order both to identify the risks that might arise if the Bank's operations are interrupted and to determine their potential consequences.

In order to ensure the continuity of outsourced support services, the risks that might arise from their procurement are assessed in light of "Regulation on the Outsourcing of Support Services by Banks" issued by the BRSA.

BALANCE SHEET RISKS

Risk monitoring activities are carried out and the results of these activities are taken into account in the Bank's strategic decision-making processes.

Compliance with mandatory ratios pertaining to liquidity and profit share rate risks arising from banking business accounts is also monitored. When carrying out the liquidity risk control; funding and lending maturity mismatches, assets' and liabilities' repricing as well as contractual maturities, the level of primary (cash and cash-equivalent) liquidity reserves needed to conduct the Bank's normal day-to-day operations, Central Bank liquidity facilities to which recourse may be had in order to cope with unexpected liquidity requirements are monitored. In addition to the foregoing, scenario and sensitivity analyses regarding liquidity risk are performed.

Signal values are followed and risk levels are limit as part of early warning process to prevent the Bank's financial strength from increased volatility in the markets and mismatch that can be seen on cash inflows and outflows while carrying out daily activities.

Summary Balance Sheet and Income Statement

(TL thousand)

Assets	December 2015	December 2016	December 2017	December 2018**	December 2019
Liquid Assets	279,641	1,669,752	1,922,270	2,794,983	3,810,683
Securities Portfolio	129,893	415,842	524,210	1,303,242	2,952,183
Loans*	1,690,106	5,557,942	11,374,744	17,739,425	28,991,184
Other Assets	77,795	315,970	528,919	351,153	638,123
Total Assets	2,177,435	7,959,507	14,350,143	22,188,803	36,392,173

Liabilities	December 2015	December 2016	December 2017	December 2018**	December 2019
Funds Collected	1,256,305	5,636,002	10,024,595	15,151,908	25,457,245
Other Funds	212,441	1,420,889	2,645,856	4,232,433	6,010,284
Other Liabilities	44,159	137,995	276,011	586,689	1,757,817
Shareholders' Equity	664,530	764,621	1,403,681	2,218,583	3,166,827
Total Liabilities	2,177,435	7,959,507	14,350,143	22,188,803	36,392,173

Selected Income/Expenses	December 2015	December 2016	December 2017	December 2018**	December 2019
Profit Shares Income	86,425	390,742	981,392	2,090,556	3,594,457
Profit Shares Expense	17,976	180,885	538,306	1,319,722	2,225,532
Profit Shares Income/Expense (net)	68,449	209,857	443,086	770,834	1,368,925
Fees and Commissions Income/Expense (net)	(74)	14,205	30,343	60,726	94,452
Trading Income/Loss (net)	2,998	7,030	11,556	57,781	69,478
Other Operating Income	37	1,739	2,663	80,212	159,008
Other Operating Expense	68,089	140,579	197,531	175,188	241,143
Provision Expense	15,029	51,770	90,143	256,021	579,415
Income Before Tax	(11,708)	40,892	199,974	414,549	705,300
Tax Provision	(274)	(9,809)	(41,072)	(91,884)	(188,565)
Net Profit/Loss	(11,982)	30,673	158,902	322,665	516,735

*Includes Expected Loss Provisions and Non-Performing Loans.

**Prepared based on previous period amounts reported.

Credit Rating Agency's Notes

Credit Rating Agency	Category	Credit Note	Date
Fitch Ratings	Long Term Foreign Currency Credit Note	B+	12 November 2019
	Short Term Foreign Currency Credit Note	B	
	Long Term Turkish Lira Credit Note	BB-	
	Short Term Turkish Lira Credit Note	B	
	National Long Term Credit Note	AA (tur)	
	Support	4	

ZİRAAT KATILIM BANKASI A.Ş.

UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019 WITH INDEPENDENT AUDITORS' REPORT THEREON

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

(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, see Note I in section three)

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
Website: www.ziraatkatilim.com.tr
E-mail: bilgi@ziraatkatilim.com.tr

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:

Name-Surname/Position : Mesut KÜÇÜK/Financial Reporting Manager
Phone : +90 216 559 22 53
Facsimile : +90 212 404 10 81

CONTENTS

Page No

SECTION ONE

General Information about the Bank

I.	History of the Bank including its incorporation date, initial legal status and amendments to legal status	64
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	65
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	65
IV.	Information about the persons and institutions that have qualified shares attributable to the Bank	66
V.	Explanations of the Bank's services and field of operations	66
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	67
VII.	Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between parent Bank and its subsidiaries	67

SECTION TWO

The Bank's Unconsolidated Financial Statements

I.	Balance sheet (Statement of Financial Position)	68
II.	Statement of off-balance sheet commitments	70
III.	Statement of profit or loss	72
IV.	Statement of profit or loss and other comprehensive income	73
V.	Statement of changes in shareholders' equity	74
VI.	Cash flows statement	76
VII.	Statement of Profit Distribution	77

SECTION THREE

Accounting Principles

I.	Explanations on basis of presentation	78
II.	Explanations on usage strategy of financial assets and foreign currency transactions	79
III.	Explanations on investments in associates and subsidiaries	79
IV.	Explanations on forward and option contracts and derivative instruments	85
V.	Explanations on profit share income and expense	85
VI.	Explanations on fees and commission income and expenses	85
VII.	Explanations on financial assets	85
VIII.	Explanations on impairment of financial assets	87
IX.	Explanations on offsetting of financial assets and liabilities	89
X.	Explanations on sales and repurchase agreements and lending of securities	89
XI.	Explanations on assets held for sale and discontinued operations and related liabilities	89
XII.	Explanations on goodwill and other intangible assets	89
XIII.	Explanations on tangible assets	90
XIV.	Explanations on leasing transactions	90
XV.	Explanations on provisions and contingent liabilities	91
XVI.	Explanations on obligations related to employee rights	91
XVII.	Explanations on taxation	93
XVIII.	Explanations on additional disclosures on borrowings	94

	Page No
XIX. Explanations on share certificates issued	95
XX. Explanations on acceptances	95
XXI. Explanations on government incentives	95
XXII. Explanation on cash and cash equivalents	95
XXIII. Explanation on segment reporting	95
XXIV. Explanations on other matters	95
 SECTION FOUR	
Explanations Related to the Financial Position and Risk Management of the Bank	
I. Explanations on shareholders' equity	95
II. Explanations on credit risk	104
III. Explanations on counter-cyclical capital buffer calculations risk	116
IV. Explanations on the currency risk	116
V. Equity share position risk on Banking accounts	119
VI. Explanations related to liquidity risk management and liquidity coverage ratio	119
VII. Explanations on leverage ratio	125
VIII. Explanations on securitization positions	126
IX. Explanations on risk management	126
X. Explanations on hedge transactions	135
XI. Explanation on counterparty credit risk	136
XII. Explanations on operating segments	141
XIII. Explanations on presentation of financial assets and liabilities at fair value	144
XIV. Explanations on activities carried out on behalf and account of other parties	145
 SECTION FIVE	
Explanations and notes related to unconsolidated financial statements	
I. Explanations and notes related to assets	146
II. Explanations and notes related to liabilities	160
III. Explanations and notes related to the off-balance sheet accounts	168
IV. Explanations and notes related to the statement of profit or loss	171
V. Explanations and notes related to changes in shareholders' equity	176
VI. Explanations and notes related to statement of cash flows	177
VII. Explanations and notes related to the risk group of the Bank	178
VIII. Significant events and matters arising subsequent to balance sheet date	179
IX. Explanations and notes related to domestic, foreign, off-shore branches or affiliates and foreign representatives of the Bank	179
 SECTION SIX	
Other Explanations and Notes	
I. Information on the Bank's rating that has been determined by international rating agencies	180
II. Other explanations on group's operations	180
 SECTION SEVEN	
Explanations on Independent Auditor's Report	
I. Explanations on the independent auditor's report	180
II. Explanations and notes prepared by the independent auditors	180

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

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)
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

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"))

	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 (XII+...+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. NETOPERATING 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

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”))

	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

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. 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.

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. 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.

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”))

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.

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"))

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.

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”))

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.

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”))

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.

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”))

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”.

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”))

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.

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”))

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

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”))

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.

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”))

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%).

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”))

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	

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"))

	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	

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"))

	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.

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 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	

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 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	

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 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 th 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.

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”))

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.

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”))

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.

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"))

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.

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”))

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).

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"))

	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

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”))

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	

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”))

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	

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”))

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.

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"))

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 (TFRS9)		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

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"))

	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.

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”))

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.

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) 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

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"))

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.

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”))

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.

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) 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.

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"))

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

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	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.

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"))

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.

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"))

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.

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"))

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.

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”))

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.

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 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.

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"))

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.

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) 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.

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) 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	

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 ^(*)	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

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 ^(*)	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

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"))

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

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"))

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%

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) 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.

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”))

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.

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) 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

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”))

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.

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"))

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,

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"))

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

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. 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.

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”))

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.

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"))

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.

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”))

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.

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 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.

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 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.

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 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.

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 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

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”))

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

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"))

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.

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”))

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).

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”))

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.

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. 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

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.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

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 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

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. 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".

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 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

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 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 ⁽¹⁾	300.000	-	-	-
Equity-like Debt Instruments	-	-	-	-
Total	300.000	537.338	-	-

⁽¹⁾ 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.

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”))

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

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) 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

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) 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

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"))

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)

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	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)

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) 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

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"))

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.

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. 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.S. 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

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”))

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.

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

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

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. 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

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”))

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	-	-	-	-	-	-

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”))

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.

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 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.

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019
WITH INDEPENDENT AUDITORS' REPORT THEREON**

(Convenience Translation of Consolidated Financial Statements and Related Disclosures and Footnotes Originally Issued in Turkish, See Note I in Section Three)
(Convenience translation of the independent auditors' report and financial statements originally issued in Turkish, see Note I in section three)

INDEPENDENT AUDITOR'S REPORT



**KPMG Bağımsız Denetim ve
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To the Shareholders of Ziraat Katılım Bankası Anonim Şirketi

A) Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying consolidated financial statements of Ziraat Katılım Bankası Anonim Şirketi (“the Bank”) and its financial subsidiaries (together the “Group”) which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders’ equity, consolidated statement of cash flows 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 consolidated financial statements present fairly, in all material respects, the consolidated financial position of Ziraat Katılım Bankası Anonim Şirketi and its consolidated financial subsidiaries as at 31 December 2019, and its consolidated financial performance and its consolidated 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 consolidated 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 Group 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated financial statements relating to the details of accounting policies and significant judgments of 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 Group's total assets.</p> <p>The Group 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 Group 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 Group'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 Group 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 Group'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 consolidated financial statements related to impairment provisions.

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the consolidated 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 BRSAs 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 consolidated financial statements.

As part of an audit in accordance with BRSAs 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 consolidated 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 Group’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 Group’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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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 consolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS"). Accordingly, the accompanying consolidated financial statements are not intended to present the financial position and results of operations in accordance with accounting principles generally accepted in such countries of users of the consolidated financial statements and IFRS.

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

Erdal Tıknak, SMMM
Partner

20 February 2020
İstanbul, Turkey

ZİRAAT KATILIM BANKASI A.Ş.

CONSOLIDATED 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
Website: www.ziraatkatilim.com.tr
E-mail: bilgi@ziraatkatilim.com.tr

The consolidated 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 PARENT BANK
- CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP
- EXPLANATIONS ON ACCOUNTING POLICIES
- EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE GROUP EXPLANATIONS ON THE FINANCIAL POSITION AND RISK OF MANAGEMENT OF THE BANK
- EXPLANATIONS AND NOTES RELATED TO THE CONSOLIDATED FINANCIAL STATEMENTS
- OTHER EXPLANATIONS AND NOTES
- INDEPENDENT AUDITOR’S REPORT

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

Subsidiaries	Investments in Associates	Joint Ventures
1 Ziraat Katılım Varlık Kiralama A.Ş.	-	-
2 ZKB Varlık Kiralama A.Ş.	-	-

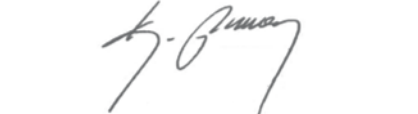
The accompanying consolidated financial statements and notes to these financial statements which are expressed, unless otherwise stated, in thousands of Turkish Lira have been prepared and presented based on the accounting books of the Bank in accordance with the Regulation on the Principles and Procedures 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:

Name-Surname/Position: Mesut KÜÇÜK/Financial Reporting Manager
Phone: +90 216 559 22 53
Facsimile: +90 212 404 10 81

CONTENTS

	Page No
SECTION ONE	
General Information about the Bank	
I. History of the parent Bank including its incorporation date, initial legal status and amendments to legal status	190
II. Explanation about the parent 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	191
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 parent Bank	191
IV. Information about the persons and institutions that have qualified shares attributable to the parent Bank	192
V. Explanations of the parent Bank's services and field of operations	192
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	193
VII. Current or likely actual legal barriers to immediate transfer of equity or repayment of debts between parent Bank and its subsidiaries	193
SECTION TWO	
The Bank's Consolidated Financial Statements	
I. Consolidated Balance sheet (Statement of Financial Position)	194
II. Consolidated Statement of off-balance sheet commitments	196
III. Consolidated Statement of profit or loss	198
IV. Consolidated Statement of profit or loss and other comprehensive income	199
V. Statement of changes in shareholders' equity	200
VI. Consolidated Cash flows statement	202
VII. Consolidated Statement of Profit Distribution	203
SECTION THREE	
Accounting Principles	
I. Basis of presentation	204
II. Explanations on usage strategy of financial assets and foreign currency transactions	205
III. Explanations on consolidated subsidiaries	205
IV. Explanations on forward and option contracts and derivative instruments	212
V. Explanations on profit share income and expense	212
VI. Explanations on fees and commission income and expenses	212
VII. Explanations on financial assets	212
VIII. Explanations on impairment of financial assets	214
IX. Explanations on offsetting of financial assets and liabilities	216
X. Explanations on sales and repurchase agreements and lending of securities	216
XI. Explanations on assets held for sale and discontinued operations and related liabilities	216
XII. Explanations on goodwill and other intangible assets	216
XIII. Explanations on tangible assets	217
XIV. Explanations on leasing transactions	217
XV. Explanations on provisions and contingent liabilities	218
XVI. Explanations on obligations related to employee rights	218
XVII. Explanations on taxation	220
XVIII. Explanations on additional disclosures on borrowings	221

	Page No
XIX. Explanations on share certificates issued	221
XX. Explanations on acceptances	221
XXI. Explanations on government incentives	222
XXII. Explanation on cash and cash equivalents	222
XXIII. Explanation on segment reporting	222
XXIV. Explanation on segment reporting	222
SECTION FOUR	
Explanations Related to the Financial Position and Risk Management of the Bank	
II. Explanations on shareholders' equity	222
II. Explanations on credit risk	231
III. Explanations on counter-cyclical capital buffer calculations risk	242
IV. Explanations on the consolidated currency risk	242
V. Equity share position risk originated from Banking accounts	245
VI. Explanations related to consolidated liquidity risk management and liquidity coverage ratio	245
VII. Concolidated explanations on leverage ratio	251
VIII. Explanations on securitization positions	252
IX. Explanations on risk management	252
X. Explanations on hedge transactions	261
XI. Explanation on counterparty credit risk	262
XII. Explanations on consolidated operating segments	267
XIII. Explanations on presentation of financial assets and liabilities at fair value	270
XIV. Explanations on activities carried out on behalf and account of other parties	271
SECTION FIVE	
Explanations and notes related to consolidated financial statements	
I. Explanations and notes related to consolidated assets	272
II. Explanations and notes related to liabilities	286
III. Explanations and notes related to the consolidated off-balance sheet accounts	294
IV. Explanations and notes related to the statement of consolidated profit or loss	297
V. Explanations and notes related to changes in shareholders' equity	302
VI. Explanations and notes related to consolidated statement of cash flows	303
VII. Explanations and notes related to the risk group of the parent Bank	304
VIII. Significant events and matters arising subsequent to balance sheet date	305
IX. Explanations and notes related to domestic, foreign, off-shore branches or affiliates and foreign representatives of the parent Bank	305
SECTION SIX	
Other Explanations and Notes	
I. Information on the group's rating that has been determined by international rating agencies	306
II. Other explanations on Bank's operations	306
SECTION SEVEN	
Explanations on Independent Auditor's Report	
I. Explanations on the independent auditor's report	306
II. Explanations and notes prepared by the independent auditors	306

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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 GROUP

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

Ziraat Participation Bank is founded by permission of Banking Regulation and Supervision Agency numbered as 6046 at 10 November 2014 which was published in the Official Gazette numbered as 29146 at 15 November 2014 with a capital of TL 675.000 that is fully paid by T.C. Treasury and its legal entity was comprised of the registration in the trade registry as of 16 February 2015. The 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 September 20, 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 Parent Bank is gathering funds by the accounts named as “Private Current Accounts” and “Participation Accounts to Profit and Loss” from domestic and abroad additional to its own capital and lending these funds to the economy, carrying up every kind of financing operations within the scope of legal legislation, promoting investment operations of real and corporate bodies that are making agricultural, industrial and commercial operations, participating in these operations, making up joint ventures and carrying out all these services and operations within the scope of participation banking fundamentals.

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

According to decision of the Banking Regulation and Supervision Agency dated 18 January 2019 and numbered 8210 of, with the framework Ziraat Katılım Bankası A.Ş board of directors decisions no 6/1 dated 21 February 2019, 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 Parent Bank, T.C Ziraat Bankası A.Ş. has been transferred from Republic of Turkey Prime Ministry Undersecretariat of Treasury to the Turkey Wealth Fund according to enactment dated 24 January 2017, no 2017/9756 by the Council of Ministry.

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

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

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

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 PARENT 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 ÖZDEMİR	Member of the BOD, General Manager, Member of Pricing Committee, President of Credit Committee
Feyzi ÇUTUR	Member of the BOD, Member of Audit Committee, Member of Credit Committee
Mahmut KAÇAR	Member of the BOD, 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 Parent Bank’s share capital.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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 PARENT BANK

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

^(*) All of the shares of the Parent 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 PARENT BANK'S SERVICES AND FIELD OF OPERATIONS

Operation field of Parent Bank was declared in the prime contract within the scope of Banking Law and other legislation codes. The 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 Parent Bank sorts out participation accounts and participation accounts based on investment proxy contracts discretely from the other accounts in its account records in terms of their maturity. Participation accounts are opened in 5 maturity groups as maturity to one month, maturity to three months (three months included), maturity to 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.

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

As of 31 December 2019, the Parent Bank operates with its 93 branches (31 December 2018: 80 domestic branches) and 1.129 (31 December 2018: 1.042) workers domestically.

The Parent Bank has no branches abroad.

ZİRAAT KATILIM BANKASI A.Ş.
**NOTES TO THE CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS

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

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED 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)	-	-	-	46.778	-	46.778
4.1 Associates (Net)		-	-	-	46.778	-	46.778
4.1.1 Associates Consolidated Under Equity Accounting		-	-	-	-	-	-
4.1.2 Consolidated Associates		-	-	-	46.778	-	46.778
4.2 Subsidiaries (Net)		-	-	-	-	-	-
4.2.1 Consolidated Financial Investments in Subsidiaries		-	-	-	-	-	-
4.2.2 Consolidated Non-Financial Investments in Subsidiaries		-	-	-	-	-	-
4.3 Joint Ventures (Net)		-	-	-	-	-	-
4.3.1 Joint-Ventures Consolidated Under Equity Accounting		-	-	-	-	-	-
4.3.2 Consolidated 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		20.767.033	15.625.041	36.392.074	15.513.690	9.963.566	25.477.256

(*) 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.
CONSOLIDATED 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
LIABILITIES AND SHAREHOLDERS' EQUITY							
I. FUNDS COLLECTED	(1)	13.032.105	12.425.040	25.457.145	8.248.433	6.902.550	15.150.983
II. FUNDS BORROWED	(2)	374.535	3.121.136	3.495.671	416.773	4.219.555	4.636.328
III. MONEY MARKET DEBTS	(3)	19.135	-	19.135	864.414	-	864.414
IV. SECURITIES ISSUED (Net)	(4)	2.482.999	-	2.482.999	1.554.992	-	1.554.992
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)	122.428	-	122.428	43.785	-	43.785
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)	363.557	76.805	440.362	462.878	78.786	541.664
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		20.160.741	16.231.333	36.392.074	14.255.484	11.221.772	25.477.256

^(*) 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.

**CONSOLIDATED 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)		(1)	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	(1)	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
2.2	Revocable Commitments		-	-	-	-	-	-

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

ZİRAAT KATILIM BANKASI A.Ş.

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

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

		Note (V)	Thousands of Turkish lira					
			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.

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED 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 (1) 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		272.658	164.787
2.3 Profit Share Expense on Money Market Borrowings		12.323	24.801
2.4 Expense on Securities Issued		391.078	174.122
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		114.436	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 (VIII+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+XXII)	(11)	516.735	325.233
Earnings per share income/loss (Full TL)		0,2953	0,1858

(1) 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.

CONSOLIDATED 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.

**CONSOLIDATED 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"))

	Paid-in capital	Share Premium	Share Certificate Cancellation Profits	Other Capital Reserves	Accumulated Revaluation Increase/ Decrease of Fixed Assets	Accumulated Remeasurement Gain/Loss of Defined Benefit Pension Plan	Other (Shares of Investments Valued by Equity Method in Other Comprehensive Income Not Classified Through Profit or Loss and Other Accumulated Amounts of Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY							
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.

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

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

ZİRAAT KATILIM BANKASI A.Ş.

**CONSOLIDATED 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.
**CONSOLIDATED 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 (%)	-	-

⁽³⁾ 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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION THREE

ACCOUNTING PRINCIPLES

I. BASIS OF PRESENTATION

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

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

The format and content of the publicly announced consolidated financial statements and notes to these statements have been prepared in accordance with the “Communiqué on Publicly Announced Financial Statements, Explanations and Notes to These Financial Statements”, published in Official Gazette no. 28337, dated 28 June 2012 and amendments to this Communiqué. The Bank maintains its books in Turkish Lira in accordance with the Banking Law, Turkish Commercial Code and Turkish Tax Legislation. Unless otherwise specified, all balances in the consolidated financial statements and footnotes are expressed in thousand Turkish Lira (“TL”) excluding financial assets and liabilities presented at fair value.

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

Additional paragraph for convenience translation into English:

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

CHANGES IN ACCOUNTING POLICIES

TFRS 16 Leases 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 Parent Bank used the model projected by the standard in the transactions to be lessee, with the exception of low-value assets and short-term rentals (1 year or less).

TFRS 16 Leases standard abolishes the dual accounting model currently applied for lessees through recognizing finance leases in the balance sheet whereas not recognizing operational lease. Instead, it is set forth a single model similar to the accounting of finance leases (on balance sheet). For lessors, the accounting applications are almost the same. 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 The Parent 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 CONSOLIDATED 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 Parent Bank’s main field of operations are; to provide all kinds of domestic and foreign currency cash, non-cash loans, make transactions in domestic and foreign capital markets, collect current and participation accounts. As of reporting date, an important part of the Bank’s resources consists of funds collected, funds borrowed and shareholders equity. Bank evaluates these resources on lease certificates and loans.

The Parent 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 Parent 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 CONSOLIDATED SUBSIDIARIES

a. Consolidation principles applied:

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

1. Consolidation principles for subsidiaries:

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

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

Subsidiaries are consolidated with full consolidation method by considering the outcomes of their activities and the size of their assets and shareholders’ equity in scope of the materiality principle. Financial statements of the related subsidiaries are included in the consolidated financial statements beginning from the date control on their activities are transferred to the Group. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

31 December 2019				
Title	Address (City/Country)	Main Activities	Parent Bank’s Share Percentage (%)	Parent Bank’s Risk Group Share Percentage (%)
Ziraat Katılım Varlık Kiralama A.Ş.	Istanbul/Turkey	Rent Certificate Issue	100	100
ZKB Varlık Kiralama A.Ş.	Istanbul/Turkey	Rent Certificate Issue	100	100

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

2. Consolidation principles of associates and joint ventures:

As of the date of 31 December 2019, there is no jointly controlled subsidiaries.

3. 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 consolidated 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.

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:

- 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.
- 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.
- Costs arising from the merger are recognized directly in profit or loss.
- Goodwill does not exist in business combinations under common control.
- 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.
- 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):
 - 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.
 - 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.

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

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

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 CONSOLIDATED 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)
ASSESTS					
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)	-	46.778	46.778
4.1	Associates (Net)		-	46.778	46.778
4.1.1	Associates Consolidated Under Equity Accounting		-	-	-
4.1.2	Consolidated Associates		-	46.778	46.778
4.2	Subsidiaries (Net)		-	-	-
4.2.1	Consolidated Financial Investments in Subsidiaries		-	-	-
4.2.2	Consolidated Non-Financial Investments in Subsidiaries		-	-	-
4.3	Joint Ventures (Net)		-	-	-
4.3.1	Joint-Ventures Consolidated Under Equity Accounting		-	-	-
4.3.2	Consolidated 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		22.188.703	3.288.553	25.477.256

ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED 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)
LIABILITIES AND SHAREHOLDERS' EQUITY					
I.	FUNDS COLLECTED	(1)	15.150.983	-	15.150.983
II.	FUNDS BORROWED	(2)	1.986.777	2.649.551	4.636.328
III.	MONEY MARKET DEBTS	(3)	864.414	-	864.414
IV.	SECURITIES ISSUED (Net)	(4)	1.375.097	179.895	1.554.992
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)	53.987	(10.202)	43.785
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)	400.337	141.327	541.664
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			22.188.703	3.288.553	25.477.256

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

	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		54.976	109.811	164.787
2.3 Profit Share Expense on Money Market Borrowings		24.801	-	24.801
2.4 Expense on Securities Issued		140.695	33.427	174.122
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 (XII+...+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. NETOPERATING 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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

	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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

IV. EXPLANATIONS ON FORWARD AND OPTION CONTRACTS AND DERIVATIVE INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

Financial assets at amortized cost

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

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

VIII. EXPLANATIONS ON IMPAIRMENT OF FINANCIAL ASSETS

Explanations on Expected Loss Provisions

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

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

Impairment

As of 1 January 2018, Bank recognizes 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 BRSB is changed by applying the expected credit impairment 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.

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

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

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

IX. EXPLANATIONS ON OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities shall be offset and the net amount presented in the balance sheet when and only when the Parent Bank currently has a legally enforceable right to set off the recognized amounts or intends either to collect/settle on a net basis or to realize the asset and settle the liability simultaneously.

X. EXPLANATIONS ON SALES AND REPURCHASE AGREEMENTS AND LENDING OF SECURITIES

As of the balance sheet date, there are no securities lending transactions. 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 Parent 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 Parent Bank’s held for sale fixed 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 Parent Bank recognizes its software costs incurred under the intangible assets - intangible rights account and the qualifying expenses are added to software’s initial costs and amortized over 3-15 years considering the useful life.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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:

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

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

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

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

Lease Liabilities:

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

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

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

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

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

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

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

XVI. EXPLANATIONS ON OBLIGATIONS RELATED TO EMPLOYEE RIGHTS

a. Employment termination and vacation benefits

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

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

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

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

The Group’s liabilities related to future severance pay and right to leave calculated and reflected to the financial statements on the net present value. The 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 Group does not employ 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.

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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).

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

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

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

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments with tax authorities. Tax returns are required to be filled and delivered to the related tax office until the evening of the 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 Parent Bank calculates and recognizes deferred tax for temporary differences between the bases calculated based on the accounting policies used and valuation principles and that calculated under the tax legislation.

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

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

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

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

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

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 Parent 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, through its subsidiary Ziraat Katılım Varlık Kiralama A.Ş. and ZKB Varlık Kiralama A.Ş., these sukuk issuances are provided to the qualified investors without being released through an IPO and the bank takes place during this operation as a fund user.

XIX. EXPLANATIONS ON SHARE CERTIFICATES ISSUED

None.

XX. EXPLANATIONS ON ACCEPTANCES

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

XXI. EXPLANATIONS ON GOVERNMENT INCENTIVES

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

XXII. EXPLANATION ON CASH AND CASH EQUIVALENTS

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

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

XXIII. EXPLANATION ON SEGMENT REPORTING

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

XXIV. EXPLANATION ON SEGMENT REPORTING

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 Group 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%).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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	

ZİRAAT KATILIM BANKASI A.Ş.

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

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

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

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

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

	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 (**)	23.533.781	
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 Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	
Amount arising from mortgage-servicing rights	-	
Amount arising from deferred tax assets based on temporary differences	-	
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	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.

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

(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	

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

ZİRAAT KATILIM BANKASI A.Ş.

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

(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 Consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Portion of the total of investments in equity items of consolidated banks and financial institutions where the bank owns 10% or less of the issued share capital exceeding the 10% threshold of above Tier I capital	-	-
Amount arising from mortgage-servicing rights	-	-
Amount arising from deferred tax assets based on temporary differences	-	-
Limits related to provisions considered in Tier II calculation		
General provisions for standard based receivables (before tenthousandtwentyfive limitation)	47,962	-
Up to 1.25% of total risk-weighted amount of general reserves for receivables where the standard approach used	47,962	-
Excess amount of total provision amount to credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Excess amount of total provision amount to &0,6 of risk weighted receivables of credit risk Amount of the Internal Ratings Based Approach in accordance with the Communiqué on the Calculation	-	-
Debt instruments subjected to Article 4 (to be implemented between 1 January 2018 and 1 January 2022)		
Upper limit for Additional Tier I Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier I Capital subjected to temporary Article 4	-	-
Upper limit for Additional Tier II Capital subjected to temporary Article 4	-	-
Amounts Excess the Limits of Additional Tier II Capital subjected to temporary Article 4	-	-

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

(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.

ZİRAAT KATILIM BANKASI A.Ş.

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

(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.

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.

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

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

	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.

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 specific provisions 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 Parent 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 Parent 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 Parent 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).

ZİRAAT KATILIM BANKASI A.Ş.

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

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

	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 ⁽¹⁾	-	-	-	-	-	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 ⁽²⁾	-	-	-	-	-	-	-
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 ⁽³⁾							
Domestic	2.612.856	-	7.997	-	-	2.218.083	14.191.836
European Union Countries	-	-	-	-	-	115.275	-
OECD Countries ⁽¹⁾	-	-	-	-	-	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 ⁽²⁾	-	-	-	-	-	-	-
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.

⁽¹⁾ OECD Countries other than EU countries, USA and Canada.⁽²⁾ Consists of assets and liabilities that cannot be distributed according to a consistent framework.⁽³⁾ 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
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3.492.037	2.487.450	202.276	45.500	-	-	-	-	765.741	33.474.406
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
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1.376.029	1.935.066	91.375	30.164	-	-	-	-	116.555	22.757.109

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

(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
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	-	-	-	-	-	-	99.481	112.364	211.845
	51	-	-	-	-	-	-	-	9.162	4.589	13.751
	128	-	-	-	-	-	-	-	203	3.280	3.483
	402.410	38.593	-	-	-	-	-	-	3.714.387	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	-	-	-	-	-	765.741	1.617.667	1.031.061	2.648.728
	2.487.450	202.276	45.500	-	-	-	-	765.741	15.907.092	17.567.314	33.474.406

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

(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 ^(*)								
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	4.256.792	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

(*) 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	-	-	-	-	-	5.526.159	4.713.411	10.239.570
	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	-	-	-	-	-	2.915.941	2.454.186	5.370.127
	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	1.299.460
	1.935.066	91.375	30.164	-	-	-	-	-	116.555	11.488.670	11.268.439
											22.757.109

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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	765.741	-	-	-	-
Grand Total	8.480.760	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.

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

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

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	18.024.796	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	16.981.054	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.

	Loans		Provisions
	Impaired (IFRS9)		Expected Credit Losses (Stage 2 and Stage 3)
	Significant increase in credit risk (Stage 2)	Defaulted (Stage 3)	
Current Period			
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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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:

	Current Period	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.

	Prior Period ^(*)	Opening Balance	Provision for Period ^(*)	Provision Reversals	Other Adjustments	Closing Balance
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 CONSOLIDATED 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. 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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 CONSOLIDATED CURRENCY RISK

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

The Parent Bank’s policy is to avoid carrying significant position by means of foreign currency management. Therefore, the 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.

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

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

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 Parent Bank in its operations. Also, daily VAR analysis for following the currency risk and within the context of legal reporting, Foreign Currency Net General Position/Shareholders’ Equity Ratio and Foreign Currency Liquidity Position are also monitored regularly.

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

	USD	EUR	AUD	DKK	SEK	CHF	CAD	NOK	GBP	SAR	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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

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

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

Information on the foreign currency risk of the Group:

	EUR	USD	Other FC (****)	Total
Current Period				
Assets				
Cash (Cash in vault, effectives, money in transit, cheques purchased) and balances with Central Bank of the Republic of Turkey	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 TL 17.469 are not included.

(*****) Of the foreign currencies presented in the other foreign currency column of assets 88% is Gold, 2% is GBP, 2% 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

V. EQUITY SHARE POSITION RISK ORIGINATED FROM 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 CONSOLIDATED LIQUIDITY RISK MANAGEMENT AND LIQUIDITY COVERAGE RATIO

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

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

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

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

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

1) LIQUIDITY RISK:

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

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

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

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

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

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

2) Liquidity Coverage Ratio:

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

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

The Parent Bank’s principal funding source 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.

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

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

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	297.431.090	110.812.049	27.136.275	11.822.341
Real person deposits and retail deposits	141.981.326	62.695.083	12.003.597	6.269.508
Stable deposit	43.890.713	-	2.194.536	-
Deposit with low stability	98.090.613	62.695.083	9.809.061	6.269.508
Unsecured debts except real person deposits and retail deposits	17.275.939	7.766.427	7.924.323	3.287.399
Operational deposit	-	-	-	-
Non-operating deposits	-	-	-	-
Other unsecured debts	17.275.939	7.766.427	7.924.323	3.287.399
Secured debts	-	-	-	-
Other cash outflows	138.173.825	40.350.539	7.208.355	2.265.434
Derivative liabilities and margin obligations	104.940	64.231	97.382	64.231
Debt from structured financial instruments	-	-	-	-
Other off-balance sheet liabilities and commitments for the payment owed to financial markets	809.215	754.504	247.990	224.613
Revocable off-balance sheet obligations regardless of any other requirement and other contractual obligations	-	-	-	-
Other irrevocable or provisory revocable off-balance sheet liabilities	137.259.670	39.531.804	6.862.983	1.976.590
TOTAL CASH OUTFLOW	297.431.090	110.812.050	27.136.275	11.822.341
CASH INFLOWS	5.865.671	2.576.685	3.970.684	2.049.043
Secured receivables	-	-	-	-
Unsecured claims	5.768.697	2.511.025	3.873.710	1.983.383
Other cash inflows	96.974	65.660	96.974	65.660
TOTAL CASH INFLOWS	5.865.671	2.576.685	3.970.684	2.049.043
Applied maximum rate values	-	-	-	-
TOTAL HIGH QUALITY LIQUID ASSET STOCK	-	-	4.906.883	3.146.170
TOTAL NET CASH OUTFLOWS	-	-	23.165.591	9.773.298
LIQUIDITY COVERAGE RATIO (%)	-	-	21	32

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

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

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

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Current Period								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	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 ^(**)	-	-	-	-	-	-	655.520	655.520
Total Assets	1.335.018	9.509.101	1.688.210	6.237.734	14.035.161	2.923.658	663.192	36.392.074
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	123	-	-	-	-	-	-	123
Current and Participation Accounts	4.138.085	13.556.021	4.268.215	3.264.383	230.318	-	-	25.457.022
Funds Provided from Other Financial Instruments	-	84.509	320.539	2.439.289	575.484	75.850	-	3.495.671
Money Market Borrowings	-	19.135	-	-	-	-	-	19.135
Issued Marketable Securities	-	709.429	1.165.489	608.081	-	-	-	2.482.999
Other Liabilities ^(***)	-	-	-	-	849.689	-	4.087.435	4.937.124
Total Liabilities	4.138.208	14.369.094	5.754.243	6.311.753	1.655.491	75.850	4.087.435	36.392.074
Liquidity Gap	(2.803.190)	(4.859.993)	(4.066.033)	(74.019)	12.379.670	2.847.808	(3.424.243)	-

^(*) 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.

ZİRAAT KATILIM BANKASI A.Ş.

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

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

Breakdown of assets and liabilities according to their outstanding maturities:

	Demand	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years	5 Years and Over	Undistributed ^(*)	Total
Prior Period ^(**)								
Assets								
Cash (Cash in Vault, Effectives, Money in Transit, Cheques Purchased) and Balances with the Central Bank of the Republic of Turkey	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 ^(*)	-	-	-	-	-	-	482.467	482.467
Total Assets	1.160.073	4.161.718	1.482.584	4.985.591	8.662.267	1.395.842	3.629.181	25.477.256
Liabilities								
Funds Collected from Banks Via Current and Participation Accounts	5.918	20.247	20.051	-	-	-	-	46.216
Current and Participation Accounts	2.375.406	9.463.550	2.252.093	1.006.366	7.352	-	-	15.104.767
Funds Provided from Other Financial Instruments	-	811.330	561.494	472.036	141.917	-	2.649.551	4.636.328
Money Market Borrowings	-	864.414	-	-	-	-	-	864.414
Issued Marketable Securities	-	348.905	923.573	102.619	-	-	179.895	1.554.992
Other Liabilities ^(*)	-	-	-	-	-	-	3.270.539	3.270.539
Total Liabilities ^(*)	2.381.324	11.508.446	3.757.211	1.581.021	149.269	-	6.099.985	25.477.256
Liquidity Gap	(1.221.251)	(7.346.728)	(2.274.627)	3.404.570	8.512.998	1.395.842	(2.470.804)	-

^(*) 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.

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

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

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	11.838.956	2.252.093	1.006.366	7.352	-	15.104.767
Funds borrowed from other financial institutions	811.330	561.494	472.036	141.917	2.649.551	4.636.328
Funds borrowed from Interbank Money market	864.414	-	-	-	-	864.414
Total	13.540.865	2.833.638	1.478.402	149.269	2.649.551	20.651.725

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

VII. CONSOLIDATED EXPLANATIONS ON LEVERAGE RATIO

As of December 31, 2019, the leverage ratio of the Group 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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)	33.912.099	21.113.486
(Assets deducted from main capital)	(136.619)	(99.705)
Total risk amount of the balance sheet assets	33.775.480	21.013.781
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	3.484.433	1.970.244
Total risk amount	45.185.346	32.096.553
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 the 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 the 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 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 the Bank.

The 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)	22.300.329	15.955.756	1.784.026
2 Standardized approach (SA)	22.300.329	15.955.756	1.784.026
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)	23.533.781	16.782.005	1.882.703

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

ZİRAAT KATILIM BANKASI A.Ş.

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

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

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)	-	-	-	-	-
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	36.392.074	36.908.984	123.055	15.607.572	140.875
Liabilities					
Deposits	25.457.145	-	-	12.425.040	-
Derivative financial liabilities held for trading	12.479	-	-	12.460	-
Loans	3.495.671	-	-	3.121.136	-
Debt to money markets	19.135	-	19.135	-	-
Debt securities issued	2.482.999	-	-	-	-
Funds	-	-	-	-	-
Various Debts	-	-	-	-	-
Other Debts	440.362	-	-	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	122.428	-	-	-	-
Liabilities included in disposal groups classified as held for sale (net)	-	-	-	-	-
Subordinated Debts	849.689	-	-	537.338	-
Equity	3.166.828	-	-	642	-
Total Liabilities	36.392.074	-	19.135	16.231.333	-

^(*) Refers to the consolidated financial statements of the Bank.

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

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

2. Linkages Between Financial Statements and Regulatory Exposures

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	36.392.075	36.908.984	-	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	36.372.940	36.908.984	-	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 the Bank. Taking into consideration the risk appetite of the 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 ⁽¹⁾	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

⁽¹⁾ Financial Lease amount of TL 3.656.366 is included to the table.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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
	Significant Increase in credit risk (Stage 2)	Impaired (IFRS 9) Defaulted (Stage 3)	Non performing (Provision Regulations)	
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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

ZİRAAT KATILIM BANKASI A.Ş.

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

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

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

	Demand	Up to 1 month	1-3 Month	3-12 Months	1-5 years	Over 5 years	Undistributed	Total
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 991.651.

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

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

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 Parent 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	765.741	-	765.741	-	347.013	45%
Investments in equities	-	-	-	-	-	0%
Total	25.844.496	11.600.590	25.844.495	7.629.912	22.300.329	67%

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

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

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	-	-	-	-	-	-	347.013	-	-	-	765.741
Total	5.112.836	-	3.131.511	1.415.935	1.071.515	2.774.556	2.941.558	16.980.996	45.500	-	-	33.474.407

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 the Parent Bank conducts its operations.

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 31 December 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 Parent 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 counterparty credit risk management; In accordance with the structure, size and complexity of its products and activities, it ensures that the results of the identification, measurement, monitoring and control of counterparty credit risk are reported to the Senior Management.

It is essential that the Parent Bank manages the counterparty credit risk level in such a way that it ensures that it remains above the minimum limits set forth in the legal regulations.

The Parent 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 the Bank’s compliance level with allocated limits is done.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 Parent 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 Parent 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 Parent 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

In the Parent 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.

The Parent Bank, 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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

7. Explanations on Operational Risk

The Operational Risk Principal Amount in the Parent 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 CONSOLIDATED OPERATING SEGMENTS

Organizational and internal reporting structure of the Group 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.

ZİRAAT KATILIM BANKASI A.Ş.

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

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

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	-	-	272.658	-	272.658
Profit Shares Expense on Money Market Transactions	-	-	12.323	-	12.323
Profit Shares Expense on Securities Issued	-	-	391.078	-	391.078
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	-	-	-	-	-
Other Assets ^(*)	-	-	-	3.532.424	3.532.424
Total Segment Assets	2.159.061	21.671.460	9.029.129	3.532.424	36.392.074
SEGMENT LIABILITIES					
Funds Collected	15.884.116	9.573.029	-	-	25.457.145
Derivative Financial Liabilities	-	-	12.479	-	12.479
Funds Borrowed	-	-	3.495.671	-	3.495.671
Money Market Funds	-	-	19.135	-	19.135
Securities Issued (Net)	-	-	2.482.999	-	2.482.999
Provisions	-	-	-	235.279	235.279
Other Liabilities	-	-	-	1.522.538	1.522.538
Shareholders' Equity	-	-	-	3.166.828	3.166.828
Total Segment Liabilities	15.884.116	9.573.029	6.010.284	4.924.645	36.392.074

^(*) Expected credit losses are included.

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

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

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	-	-	164.787	-	164.787
Profit Shares Expense on Money Market Transactions	-	-	24.801	-	24.801
Profit Shares Expense on Securities Issued	-	-	174.122	-	174.122
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	-	-	46.778	-	46.778
Other Assets	-	-	-	2.433.100	2.433.100
Total Segment Assets	1.614.565	14.124.399	4.163.388	5.574.904	25.477.256
SEGMENT LIABILITIES					
Funds Collected	10.471.740	4.679.243	-	-	15.150.983
Derivative Financial Liabilities	-	-	6.145	-	6.145
Funds Borrowed	-	-	4.636.328	-	4.636.328
Money Market Funds	-	-	864.414	-	864.414
Securities Issued (Net)	-	-	1.554.992	-	1.554.992
Provisions	-	-	-	133.633	133.633
Other Liabilities	-	-	-	585.864	585.864
Shareholders' Equity	-	-	-	2.544.897	2.544.897
Total Segment Liabilities	10.471.740	4.679.243	7.061.879	3.264.394	25.477.256

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

ZİRAAT KATILIM BANKASI A.Ş.

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

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

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	31.595.127	31.595.127
Bank Deposits	123	123
Other Deposits	25.457.022	25.457.022
Funds Borrowed from Other Financial Institutions	3.495.671	3.495.671
Issued Marketable Securities	2.482.999	2.482.999
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	21.424.552	21.424.552
Bank Deposits	46.216	46.216
Other Deposits	15.104.767	15.104.767
Funds Borrowed from Other Financial Institutions	4.816.223	4.816.223
Issued Marketable Securities	1.554.992	1.554.992
Miscellaneous Payables	82.249	82.249

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 book value and fair value. 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.

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

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

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 Parent 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION FIVE

EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED FINANCIAL STATEMENTS

I. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED ASSETS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Cash in TL/Foreign Currency	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 ^(*)	71.484	2.404.181	12.104	1.637.348
Total	71.522	2.404.187	311.614	1.642.538

^(*) 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 ^(*)	101.140	913.898

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

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

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

b) Information 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. Financial assets measured at amortized cost:

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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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
General Provision		Standard Loans	Loans Under close monitoring
12 Month Expected Credit Losses		49.451	-
Significant Increase in Credit Risk		-	56.622
No. of extensions		Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
1 or 2 Times Extended		-	803.481
3 - 4 or 5 Times Extended		-	-
Over 5 Times Extended		-	-
Total		-	803.481
Extension Periods		Standard Loans and Other Receivables	Loans Under close monitoring and Other Receivables
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

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

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

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

Current Period	Short-Term	Medium and Long-Term	Total
Consumer Loans - TL	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 CONSOLIDATED 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 CONSOLIDATED 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:

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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
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 CONSOLIDATED 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 Lease Merger 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 Parent Bank has loans and other receivables included in non-performing receivables which are restructured or rescheduled amount 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 (+) ^(*)	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 Credit Losses (Stage 3) (-)	136.955	77.186	253.632
Net balance at the balance sheet	18.600	118.346	70.563

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

1.3) Information on foreign currency non-performing loans:

As of 31 December 2019, 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 Bank. 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:

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS 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	-	-
Ziraat Lease Merger Effect	-	963
Period End Balance (Net)	104.069	5.222

As of 31 December 2019, the Parent 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 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

None (31 December 2018: None).

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

	Current Period	Prior Period
Balance at the beginning of the year	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 (%)	-	-

b) Information on subsidiaries (Net):

b.1) Information on consolidated subsidiaries:

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

	Total Assets	Shareholders Equity	Total Fixed Assets	Dividend or profit share income	Income from marketable securities	Current Period Income/ Loss	Prior period income/ loss	Fair Value	Needed 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.

(*) Paid capital increases during the period are shown under “Purchases”.

b.2) Sectoral information on consolidated subsidiaries and the related carrying amounts:

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

ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED 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, Bank has no subsidiaries are quoted on the stock exchange (31 December 2018: None).

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

There are no entities under common control of the Bank (31 December 2018: None).

10. Explanations on property and equipment:

	Immovables	Right of Use Immovables	Movable	Right of Use Movable	Operational Leasing Development Costs	Other Tangibles	Total
Prior Period End:							
Cost	-	-	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) ⁽¹⁾	-	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
Provisions for losses	-	-	-	-	-	-	-
Closing Net Book Value	-	93.227	34.200	9.961	20.209	-	157.597

⁽¹⁾ 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.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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
Ziraat 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.
- ç) Book value of intangible assets with restrictions on use or pledged: None.
- d) Amount of commitments given for acquisition of intangible asset: None.
- e) Intangible assets based on revalued asset type: None.
- f) Total amount of research and development expenses recorded in the period, if any: None.
- g) Positive or negative consolidation goodwill that are originated from partnerships which their financial statements are consolidated: Not applied to the financial statements with consolidation.
- h) Information on goodwill: None.

12. Information on the investment properties:

As of 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).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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 Lease Merger 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 Lease Merger Effect	-	5.084
Deferred tax asset	42.153	54.954

15. Information on other assets:

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

ZİRAAT KATILIM BANKASI A.Ş.

**NOTES TO THE CONSOLIDATED 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	1.324.855	-	-	-	-	-	-	-	1.324.855
Public sector	136.022	-	-	-	-	-	-	-	136.022
Commercial sector	1.163.277	-	-	-	-	-	-	-	1.163.277
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	1.687.014	-	4.400.970
Public sector	-	757	1.022	-	-	-	-	-	1.779
Commercial sector	-	268.708	1.888.846	188.318	-	328.520	1.687.014	-	4.361.406
Other institutions	-	209	37.529	47	-	-	-	-	37.785
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation banks	-	-	-	-	-	-	-	-	-
IX. Precious metal funds	255.038	-	557.789	25.188	-	5.545	21.266	-	864.826
X. Profit sharing accounts special funds - TL	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
XI. Profit sharing accounts special funds - FC	-	-	-	-	-	-	-	-	-
Residents in Turkey	-	-	-	-	-	-	-	-	-
Residents Abroad	-	-	-	-	-	-	-	-	-
Total (I+II+.....+IX+X+XI)	4.138.208	1.611.217	15.059.794	965.686	-	784.243	2.897.997	-	25.457.145

ZİRAAT KATILIM BANKASI A.Ş.
NOTES TO THE CONSOLIDATED 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	516.931	-	-	-	-	-	-	-	516.931
Public sector	73.337	-	-	-	-	-	-	-	73.337
Commercial sector	418.653	-	-	-	-	-	-	-	418.653
Other institutions	24.611	-	-	-	-	-	-	-	24.611
Commercial and other institutions	320	-	-	-	-	-	-	-	320
Banks and participation banks	10	-	-	-	-	-	-	-	10
Central Bank of Republic of Turkey	-	-	-	-	-	-	-	-	-
Domestic banks	10	-	-	-	-	-	-	-	10
Foreign banks	-	-	-	-	-	-	-	-	-
Participation banks	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-
IV. Profit sharing accounts-TL	-	131.511	2.740.290	569.720	-	205.889	118.404	-	3.765.814
Public sector	-	2.668	495.707	421.827	-	61.901	-	-	982.103
Commercial sector	-	119.643	1.748.933	38.685	-	80.988	10.913	-	1.999.162
Other institutions	-	9.200	455.352	109.208	-	63.000	107.491	-	744.251
Commercial and other institutions	-	-	-	-	-	-	-	-	-
Banks and participation 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 (+II+.....+IX+X+XI)	2.381.324	1.099.423	9.649.160	764.013	-	476.608	780.455	-	15.150.983

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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	374.535	1.498.426	416.773	3.704.193
From Foreign Banks, Institutions and Funds	-	1.622.710	-	515.362
Total	374.535	3.121.136	416.773	4.219.555

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

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

b) Information on maturity structure of borrowings:

	Current Period		Prior Period	
	TL	FC	TL	FC
Short-term	33.786	179.422	416.773	2.930.827
Medium and Long-term	340.749	2.941.714	-	1.288.728
Total	374.535	3.121.136	416.773	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 Bank's 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:

	Current Period		Prior Period	
	TL	FC	TL	FC
Bonds	-	-	-	-
Asset Based Securities	2.482.999	-	1.375.097	-
Government Bonds	-	-	179.895	-
Total	2.482.999	-	1.554.992	-

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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:

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:

Considering the circumstances that may arise from any changes in the economy or market conditions, the Bank management decided to make provision amounting to TL 30.000 in last year and TL 50.000 current year, as a total amount TL 80.000 line with the conservatism principle. (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 64.051 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 17.140 (31 December 2018: TL 6.121) for other provisions.

c.3) Information on litigation provisions

A provision of TL 17.038 has been set aside in the financial statements for litigation 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”.

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

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

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

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

d.2) Severance Pay and Unused Permission Rights

	Current Period	Prior Period
Balance as of 1 January	5.736	2.330
Current Service Cost	2.268	1.285
profit share cost	801	276
Paid compensations	(316)	(112)
Loss/(Earnings) resulting from Reduction/Dismissal of Payments/Benefits	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 ratio 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 by the resolution of the General Assembly.

9. Explanations on tax liability:

a) Explanations on current tax liability:

a.1) Information on tax provisions:

As of 31 December 2019 the Group's corporate income tax liability is TL 85.480 after deducting temporary taxes paid during the period from the tax provisions (31 December 2018: TL 25.602).

b) Information on taxes payable:

	Current Period	Prior Period
Corporate Tax Payable	85.480	25.602
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 Lease Merger Effect	-	(10.202)
Total	122.149	43.596

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

12. Explanations on subordinated debts:

	Current period		Prior period	
	TL	FC	TL	FC
From Domestic Banks	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 ^(*)	300.000	-	-	-
Equity-like Debt Instruments	-	-	-	-
Total	300.000	537.338	-	-

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

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

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

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

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

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

14. Information on shareholders’ equity:

a) Presentation on paid-in capital:

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

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

None.

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

None.

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

None.

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

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

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

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

f) Information on preferred shares:

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

g) 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 Lease Merger Effect	-	-	(21.973)	316
Total	56.429	642	(36.874)	305

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

h) 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 CONSOLIDATED OFF-BALANCE SHEET ACCOUNTS

1. Information on off-balance sheet liabilities:

a) Nature and amount of irrevocable loan commitments:

	Current Period	Prior Period
Commitments for Credit Card Expenditure Limits	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

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 Parent 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)

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

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

	Up to 1 month	1-3 Months	3-12 Months	1-5 Years	Over 5 years	Total
Prior Period						
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 CONSOLIDATED PROFIT OR LOSS

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

	Current Period		Prior Period	
	TL	FC	TL	FC
Profit share on loans ^(*)	2.515.125	379.478	1.676.776	177.215
Short term loans	1.112.505	117.674	623.639	51.587
Medium and long term loans	1.361.878	261.804	1.046.597	125.628
Profit share on non-performing loans	40.742	-	5.077	-
Premiums received from resource utilization support fund	-	-	-	-
Ziraat Lease Merging Effect	-	-	1.463	-

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

b) Information on profit share received 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
Toplam	530	44	5.097	1.942

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED 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	FC	TL	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	96.774	121.170	7.496	27.931
Central Bank of the Republic of Turkey	-	-	6.488	-
Domestic Banks	58.905	64.946	1.008	21.331
Foreign Banks	74.595	56.224	-	6.600
Head Office and Branches	-	-	-	-
Other Institutions	-	17.988	-	19.549
Ziraat Lease Merger Effect	-	-	27.774	82.037
Total	133.500	139.158	35.270	129.517

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

None (31 December 2018: None).

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

The amount of profit share paid to issued securities TL 140.695 (31 December 2018: 174.122).

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

d) 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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

(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: 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 Lease Merger 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 Lease Merger 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.

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

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

7. Information on other operating expenses:

	Current Period	Prior Period
Personnel expenses	3.606	1.473
Reserve for Employee Termination Benefits	-	-
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 Lease Merger Effect		14.782
Total	241.143	167.383

^(*) The balance which forms the other item part, TL 25.253 (31 December 2018 20.412 TL) represents Saving Deposit Insurance Fund (“SDIF”) Premium amount and audit and consultancy fees and TL 37.718 (31 December: 2018 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 2019, 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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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 income.

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, TL 285.600, has been left in the Parent Bank.

The Parent Bank is planning to distribute its profit for 2019 in line with the Articles of Incorporation in 2018. 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.

d) Explanations on Previous Year’s Profit/Loss:

As of 31 December 2019, The Bank’s previous period profit is TL 25.660.

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

VI. EXPLANATIONS AND NOTES RELATED TO CONSOLIDATED 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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

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

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

Risk group of the Bank (Current Period)	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	-	-	-

Risk group of the Bank (Prior Period)	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 Parent Bank’s risk group:

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Current and profit sharing accounts						
Balance at the beginning of period	-	-	42.411	8.159	-	-
Balance at the end of period	-	-	59.324	42.411	-	-
Profit share expense	-	-	6.005	2.563	-	-

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

Risk group of the Bank	Investment in associates, subsidiaries and joint ventures (business partnerships)		Direct and indirect shareholders of the bank		Other real or legal persons included in the risk group	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Funds Borrowed						
Balance at the beginning of period	-	-	-	-	-	-
Balance at the end of period	-	-	-	-	-	-
Profit share paid expense	-	-	-	-	-	-

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

2) Information on forward transactions, option agreements and similar transactions between the Consolidated 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 to top management (31 December 2018: TL 3.508).

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 PARENT BANK

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

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

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

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

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

ZİRAAT KATILIM BANKASI A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2019

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

SECTION SIX

OTHER EXPLANATIONS AND NOTES

I. INFORMATION ON THE GROUP’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 BANK’S OPERATIONS

None.

SECTION SEVEN

EXPLANATIONS ON INDEPENDENT AUDITOR’S REPORT

I. EXPLANATIONS ON THE INDEPENDENT AUDITOR’S REPORT

As of 31 December 2019, consolidated financial statements and explanatory notes of the Parent 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.

DIRECTORY

	Phone	Address
Head Office	+90 212 404 10 00	Hobyar Mahallesi, Şeyhülislam Hayri Efendi Caddesi, No: 12 Posta Kodu: 34112 Bahçekapı - Fatih, İstanbul
Supplementary Service Bulding	+90 216 559 20 58	Girne Mahallesi, Narlıdere Caddesi, No: 55 Maltepe, İstanbul
Adana Branch	+90 322 359 63 04	Tepebağ Mahallesi, Abidinpaşa Caddesi No: 11 Seyhan, Adana
Adapazarı Branch	+90 264 281 57 16	Semerciler Mahallesi, Saraçlar Sokak No: 1 Adapazarı, Sakarya
Adıyaman Branch	+90 416 213 06 30	Hoca Ömer Mahallesi, Atatürk Caddesi, Çalkağışoğlu Apt. Sit. No: 28A Merkez, Adıyaman
Afyon Branch	+90 272 212 02 64	Burmali Mahallesi, Milli Egemenlik Caddesi No: 18/1 Afyonkarahisar
Aksaray Branch	+90 382 203 02 82	Hacı Hasanlı Mahallesi, Bankalar Caddesi No: 30 Aksaray
Alanya Branch - Antalya	+90 242 512 66 92	Güller Pınarı Mahallesi, Hasan Akçaloğlu Caddesi Liva Apartmanı No: 50/A Alanya, Antalya
Altunizade Branch - İstanbul	+90 216 474 8472	Altunizade Mahallesi, Kısıklı Caddesi No: 37 Üsküdar, İstanbul
Ankara Corporate Branch	+90 312 433 48 22	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 67 Çankaya, Ankara
Antalya Branch	+90 242 345 75 10	Tahıl pazarı Mahallesi, Şarampol Cad. T.C. Ziraat Bankası Sit. No: 68 Muratpaşa, Antalya
Aydın Branch	+90 256 212 76 42	Hasanefendi Mahallesi, Gençlik Caddesi No: 6/1 Efeler, Aydın
Bağcılar Branch - İstanbul	+90 212 436 47 79	Çınar Mahallesi, Osman Gazi Caddesi No: 12B Bağcılar, İstanbul
Balgat Branch - Ankara	+90 312 473 16 25	Balgat Mahallesi, Ceyhun Atif Kansu Caddesi Başkent Plaza, No: 106/57 Çankaya, Ankara
Balıkesir Branch	+90 266 244 82 65	Altıeylül Mahallesi, 4. Anafartalar Caddesi No: 35B/B Altıeylül, Balıkesir
Başakşehir Branch - İstanbul	+90 212 485 72 11	İkitelli OSB Mahallesi, Tümsan 1. Kısım 3. Blok Apt. No: 9/A Başakşehir, İstanbul
Batman Branch	+90 488 213 34 31	Cumhuriyet Mahallesi, Atatürk Bulvarı No: 132 B Merkez, Batman
Beyazıt Branch - İstanbul	+90 212 638 83 68	Mimar Hayrettin Mahallesi, Yeniçeriler Caddesi Sinekli Medrese Sokak No: 2 Fatih, İstanbul
Beylikdüzü Branch - İstanbul	+90 212 872 68 21	Barış Mahallesi, Belediye Caddesi Ginza Lavinya Apt. No: 30/83 Beylikdüzü, İstanbul

DIRECTORY

Phone	Address
Bolu Branch	+90 374 217 75 20 Karaçayır Mahallesi, İzzet Baysal Caddesi Pasaj Girişi Sit. No: 100/C Merkez, Bolu
Bornova Branch - İzmir	+90 232 343 09 43 Kazım Dirik Mahallesi, 152. Sokak No: 9 Bornova, İzmir
Bursa Branch	+90 224 225 00 24 Setbaşı Kayahan Mahallesi, Atatürk Cad. No: 26/1 Osmangazi, Bursa
Büsan Branch - Konya	+90 362 622 0049 Fevzi Çakmak Mahallesi, Kosgeb Caddesi No: 3 Karatay, Konya
Central Banking Branch - İstanbul	+90 216 559 21 03 Mimar Sinan Mahallesi, Hâkimiyeti Milliye Cad. No: 49 Üsküdar, İstanbul
Çankaya Branch - İzmir	+90 232 425 79 98 Yenigün Mahallesi, Fevzipaşa Bulvarı No: 124 Konak, İzmir
Çorlu Branch - Tekirdağ	+90 282 673 35 89 Kazımiye Mahallesi, Salih Omurtak Caddesi A Blok Apt. No: 22 - 1/2 Çorlu, Tekirdağ
Çorum Branch	+90 364 224 89 64 Çepni Mahallesi, İnönü Caddesi No: 61 Merkez, Çorum
Çukurambar Branch - Ankara	+90 312 287 72 01 Kızılırmak Mahallesi, Muhsin Yazıcıoğlu Caddesi No: 25/G Çankaya, Ankara
Denizli Branch	+90 258 265 68 56 Saraylar Mahallesi, Gazi Mustafa Kemal Blv. No: 74/1 Merkezefendi, Denizli
Dudullu Branch - İstanbul	+90 216 313 72 05 Yukarı Dudullu Mahallesi, Necip Fazıl Bulvarı, Keresteciler (KEYAP) Sitesi, B1 Blok Apt. No: 44/19 Ümraniye, İstanbul
Elazığ Branch	+90 424 237 13 68 Nailbey Mahallesi, Gazi Caddesi No: 9 Elazığ
Eminönü Branch - İstanbul	+90 212 522 59 82 Hobyar Mahallesi, Şeyhülislam Hayri Efendi Caddesi No: 12/1 Bahçekapı - Fatih, İstanbul
Erenköy Branch - İstanbul	+90 216 359 71 64 Erenköy Mahallesi, Şemsettin Günaltay Caddesi No: 213-A/1 Kadıköy, İstanbul
Erzincan Branch	+90 446 502 03 67 Atatürk Mahallesi, Fevzipaşa Caddesi 357. Sokak No: 2 Merkez, Erzincan
Erzurum Branch	+90 442 235 87 74 Lalapaşa Mahallesi, Orhan Şerifsoy Caddesi No: 9 Yakutiye, Erzurum
Esenler Branch - İstanbul	+90 212 568 17 51 Fevzi Çakmak Mahallesi, 1107. Sokak No: 2/B Esenler, İstanbul
Esenyurt Branch - İstanbul	+90 212 596 8899 İnönü Mahallesi, Doğan Araslı Bulvarı, Kars Business Center No: 88/A Esenyurt, İstanbul
Eskişehir Branch	+90 222 221 55 97 Arifiye Mahallesi, İki Eylül Caddesi No: 68/1 Odunpazarı, Eskişehir
Fatih Branch - İstanbul	+90 212 621 86 76 Alikuşçu Mahallesi, Fevzipaşa Caddesi No: 10 Fatih, İstanbul

DIRECTORY

	Phone	Address
Gatem Branch - Gaziantep	+90 342 238 43 17	Sanayi Mahallesi, 60401. Sok. No: 7 Şehitkamil, Gaziantep
Gaziantep Branch	+90 342 230 91 90	İncirli Pınar Mahallesi, Muammer Aksoy Cad. No: 20 Şehitkamil, Gaziantep
Gaziantep Organized Industrial Zone Branch	+90 342 337 22 74	Başpınar OSB Mahallesi, O.S.B. 2.Bölge, Celal Doğan Bulvarı No: 71 A/52 Şehitkamil, Gaziantep
Gaziosmanpaşa Branch - İstanbul	+90 212 497 12 58	Merkez Mahallesi, Cumhuriyet Meydanı No: 26/A Gaziosmanpaşa, İstanbul
Gebze Branch - Kocaeli	+90 262 643 36 98	Hacı Halil Mahallesi, Körfez Caddesi No: 8/B Gebze, Kocaeli
Gıda Çarşısı Branch - İzmir	+90 232 459 52 31	Halkapınar Mahallesi, 1202/2 Sokak No: 31-F/F Konak, İzmir
Güneşli Branch - İstanbul	+90 212 550 76 54	Hürriyet Mahallesi, Atatürk Caddesi No: 13-15B Bağcılar, İstanbul
Hadımköy Branch - İstanbul	+90 212 809 31 05	Alkent 2000 Mahallesi, Hadımköy Yolu Caddesi C Blok Apt. No: 151/1/3 Büyükçekmece, İstanbul
Isparta Branch	+90 246 202 26 42	Kutlubey Mahallesi, 1001. Sokak No: 4, D: 9-10 Merkez, Isparta
İkitelli Branch - İstanbul	+90 212 549 60 53	Ziya Gökalp Mahallesi, Bedrettin Dalan Bulvarı A Blok No: 18 Başakşehir, İstanbul
İnegöl Branch - Bursa	+90 224 712 28 99	Orhaniye Mahallesi, Nuri Doğrul Caddesi, No: 67 İnegöl, Bursa
İskenderun Branch - Hatay	+90 326 614 12 25	Savaş Mahallesi, Mareşal Çakmak Caddesi 41. Sokak, Sümerhan İşhanı, No: 9/3 (Zemin Kat BB: 1) İskenderun, Hatay
İstanbul Anatolian Side Corporate Branch - İstanbul	+90 216 356 18 63	Sahrayıcedit Mahallesi, Atatürk Caddesi No: 48/1 Kadıköy, İstanbul
İstanbul European Side Corporate - İstanbul	+90 212 275 39 08	Fulya Mahallesi, Büyükdere Caddesi İmar İş Hanı Apt. No: 48/2 Şişli, İstanbul
İzmit Branch - Kocaeli	+90 262 322 93 52	Kemalpaşa Mahallesi, İstiklal Caddesi No: 20 İç Kapı No: 30 İzmit, Kocaeli
Kadıköy Branch - İstanbul	+90 216 474 8472	Osmanağa Mahallesi, Rihtım Cad. No: 4 Kat: 2 Kadıköy, İstanbul
Kahramanmaraş Branch	+90 344 223 97 01	Yenişehir Mahallesi, Trabzon Bulvarı Durak Apt. No: 70, Dulkadiroğlu, Kahramanmaraş
Karaman Branch	+90 342 238 43 17	Tahsin Ünal Mahallesi, Atatürk Bulvarı No: 43A Merkez, Karaman
Kastamonu Branch	+90 366 214 70 85	Topçuoğlu Mahallesi, Cumhuriyet Cad. No: 30 B 37100 Merkez, Kastamonu

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Kayapınar Branch - Diyarbakır	+90 412 502 26 38 Peyas Mahallesi, Şanlıurfa Bulvarı Ekinciler Sitesi No: 80/A Kayapınar, Diyarbakır
Kayseri Branch	+90 352 221 32 43 İslimpaşa (Cumhuriyet) Mahallesi, Vatan Cad. No: 19 Melikgazi, Kayseri
Kayseri Organized Industrial Zone Branch	+90 352 503 50 17 Kayseri OSB Mahallesi, 11. Caddesi No: 9/K Melikgazi, Kayseri
Keçiören Branch - Ankara	+90 312 381 52 86 Pınarbaşı Mahallesi, Kızlar Pınarı Caddesi No: 177A Keçiören, Ankara
Kestel Branch - Bursa	+90 224 372 83 33 Ahmet Vefik Paşa Mahallesi, Organize Sanayi Bölgesi Bursa Cad. No: 75 B Blok Kestel, Bursa
Kızılay Branch - Ankara	+90 312 435 1350 Cumhuriyet Mahallesi, Atatürk Bulvarı No: 67/C Kızılay, Ankara
Kıztaşı Branch - İstanbul	+90 212 635 29 98 Zeyrek Mahallesi, Macar Kardeşler Caddesi No: 18 A Fatih, İstanbul
Konyaaltı Branch - Antalya	+90 242 502 45 88 Arapsuyu Mahallesi, Atatürk Bulvarı No: 25A Konyaaltı, Antalya
Kütahya Branch	+90 274 333 02 95 Gazi Kemal Mahallesi, Cumhuriyet Caddesi No: 79/A Merkez, Kütahya
Malatya Branch	+90 422 325 60 05 Saray Mahallesi, Atatürk Caddesi No: 2 Battalgazi, Malatya
Maltepe Branch - İstanbul	+90 216 305 68 83 Altayçeşme Mahallesi, Bağdat Caddesi No: 385/A Maltepe, İstanbul
Manisa Branch	+90 236 231 03 68 1. Anafartalar Mahallesi, 1603. Sokak No: 11/A Şehzadeler, Manisa
Mecidiyeköy Branch - İstanbul	+90 212 267 2666 Gülbahar Mahallesi, Büyükdere Cad. No: 99/A Şişli, İstanbul
Mersin Branch	+90 324 237 54 70 Çankaya Mahallesi, Atatürk Caddesi Mersin Çarşısı No: 26 A Akdeniz, Mersin
Merter Branch - İstanbul	+90 212 504 95 61 Mehmet Nesih Özmen Mah. Fatih Cad. Yalçın İş Merkezi No: 13 Güngören, İstanbul
Mevlana Branch - Konya	+90 332 350 58 48 Şems-i Tebrizi Mahallesi, Mevlana Caddesi No: 23/A Karatay, Konya
Nazilli Branch - Aydın	+90 256 315 33 58 Altıntaş Mahallesi, 155. Sokak, No: 1/B Nazilli, Aydın
Nilüfer Branch - Bursa	+90 224 441 53 65 Üçevler Mahallesi, Nilüfer Caddesi 3 No'lu Bağımsız Apt. No: 6 C Nilüfer, Bursa
Ordu Branch	+90 452 222 01 55 Yeni Mahallesi, Zübeyde Hanım Caddesi No: 123 A Altınordu, Ordu
Osmanbey Branch - İstanbul	+90 212 522 59 82 Meşrutiyet Mahallesi, Halaskargazi Caddesi No: 116 Şişli, İstanbul

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Ostim Branch - Ankara	+90 312 385 08 63	Ostim Mahallesi, Ostim OSB 100. Yıl Bulvarı No: 46 Yenimahalle, Ankara
Pendik Branch - İstanbul	+90 216 390 46 38	Batı Mahallesi, Erol Kaya Caddesi No: 121 A Pendik, İstanbul
Rize Branch	+90 464 212 27 69	Piriçelebi Mahallesi, Cumhuriyet Caddesi No: 7 Rize
Samsun Branch	+90 362 431 99 73	Kale Mahallesi, Kazımpaşa Caddesi No: 11A İlkadım, Samsun
Selçuklu Branch - Konya	+90 332 235 41 56	Nişantaşı Mahallesi, Metehan Cad. No: 4/A Selçuklu, Konya
Sincan Branch - Ankara	+90 312 271 30 35	Atatürk Mahallesi, Meltem Sok. No: 21 Sincan, Ankara
Sivas Branch	+90 346 221 55 16	Eski Kale Mahallesi, Bankalar Caddesi 13-2. Sokak No: 3/A Merkez, Sivas
Sultanbeyli Branch - İstanbul	+90 216 496 27 38	Hasanpaşa Mahallesi, Fatih Bulvarı A. Apt No: 19 A/1 Sultanbeyli, İstanbul
Şanlıurfa Branch	+90 414 315 66 38	Kanberkiye Mahallesi, Gazhane Mevkii Kadri Erdoğan Caddesi, No: 10 Haliliye, Şanlıurfa
Thrace Corporate Branch - İstanbul	+90 212 549 72 97	İkitelli OSB Mahallesi, Bağcılar Güngören Metro AVM B Blok Sk., Bağcılar Güngören Sanayi Sit. AVM B Blok Apt. No: 1-B/34 Başakşehir, İstanbul
Trabzon Branch	+90 462 326 40 84	Kemerkaya Mahallesi, Kahramanmaraş Caddesi No: 13/A Ortahisar, Trabzon
Turgut Özal Bulvarı Branch - Adana	+90 322 234 39 21	Güzelyalı Mahallesi, Turgut Özal Bulvarı, No: 92/C Çukurova, Adana
Tuzla Organized Industrial Zone Branch - İstanbul	+90 216 593 45 58	Aydınlı - Birlik OSB Mahallesi, 1 No'lu Cadde No: 2 Tuzla, İstanbul
Ulus Branch - Ankara	+90 312 312 76 31	Anafartalar Caddesi, No: 16/B Ulus, Ankara
Uşak Branch	+90 276 224 67 13	İslice Mahallesi, İslice Sokak No: 2/101 Merkez, Uşak
Ümraniye Branch - İstanbul	+90 216 474 84 72	Alemdağ Caddesi, Mevlana İş Merkezi A Blok No: 174 Ümraniye, İstanbul
Üsküdar Branch - İstanbul	+90 216 201 16 12	Mimar Sinan Mahallesi, Uncular Cad. Özden İş Hanı No: 6/B Üsküdar, İstanbul
Van Branch	+90 432 210 14 34	Şerefiye Mahallesi, Cumhuriyet Bulvarı No: 63 İpekyolu, Van
Zeytinburnu Branch - İstanbul	+90 212 679 49 92	Beştelsiz Mahallesi, Prof. Dr. Muammer Aksoy Cad. No: 38A Zeytinburnu, İstanbul

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